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<tr>
<td>BA</td>
<td>Benefits Agency</td>
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<tr>
<td>BMRB</td>
<td>British Market Research Bureau</td>
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<tr>
<td>CASE</td>
<td>Centre for Analysis of Social Exclusion</td>
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<tr>
<td>CCT</td>
<td>Compulsory competitive tendering</td>
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<td>CIPFA</td>
<td>Chartered Institute of Public Finance and Accountancy</td>
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<td>CLG</td>
<td>Communities and Local Government</td>
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<td>CORE</td>
<td>Continuous Recording of Lettings</td>
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<td>CTB</td>
<td>Council Tax Benefit</td>
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<td>CTBRO</td>
<td>Council Tax Benefit Run-on</td>
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<td>DHP</td>
<td>Discretionary Housing Payment</td>
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<td>DSS</td>
<td>Department of Social Security</td>
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<td>DTLR</td>
<td>Department of Transport, Local Government and the Regions</td>
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<td>DWP</td>
<td>Department for Work and Pensions</td>
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<td>ENR</td>
<td>Eligible non-recipient</td>
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<td>Employment Services</td>
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<td>ESRC</td>
<td>Economic and Social Research Council</td>
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<td>Housing Benefit Run-on</td>
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<td>HCA</td>
<td>Homes and Communities Agency</td>
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<td>Housing Management Services</td>
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<td>Abbreviation</td>
<td>Full Form</td>
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<td>HMSO</td>
<td>Her Majesty’s Stationery Office</td>
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<td>IB</td>
<td>Incapacity Benefit</td>
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<td>iIP</td>
<td>Investors in People</td>
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<td>IRRV</td>
<td>Institute of Revenues, Rating and Valuation</td>
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<td>IS</td>
<td>Income Support</td>
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<td>IT</td>
<td>Information technology</td>
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<td>JRF</td>
<td>Joseph Rowntree Foundation</td>
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<td>Local Reference Rent</td>
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<td>NatCen</td>
<td>National Centre for Social Research</td>
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<td>NDD</td>
<td>Non-Dependant Deduction</td>
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<td>PI</td>
<td>Performance indicator</td>
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<td>PRS</td>
<td>Private Rented Sector</td>
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<td>RSL</td>
<td>Registered Social Landlord</td>
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<td>SDA</td>
<td>Severe Disablement Allowance</td>
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<td>SEH</td>
<td>Survey of English Housing</td>
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<td>SLA</td>
<td>Service Level Agreement</td>
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<td>SLHA</td>
<td>Standard Local Housing Allowance</td>
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<td>SLR</td>
<td>Standard Local Rate</td>
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<td>SP</td>
<td>Stated Preference</td>
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<td>SRR</td>
<td>Single Room Rent</td>
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<td>SSPRU</td>
<td>Social Security Payments to Reduce Underoccupation</td>
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<td>TRS</td>
<td>The Rent Service</td>
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<td>TSA</td>
<td>Tenant Services Authority</td>
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1 Introduction

1.1 Housing Benefit

Housing Benefit (HB) is an income-related benefit that helps low income families with the cost of rented accommodation. In 2007/08 over four million families received HB at an annual cost of around £16 billion (Department for Work and Pensions (DWP) statistics). HB was introduced in 1983 combining local authority (LA) rent rebates for council tenants and the housing element of supplementary benefit provided by the then Department of Health and Social Security (DHSS) for tenants of private landlords and housing associations. Since then it has provided vital help to support families on low incomes to afford decent housing.

In its early years, HB was mostly paid directly to the claimant, however, over time and particularly as the role and stock of housing associations increased to form the majority of social housing, there was a gradual change to HB being paid directly to the claimant’s landlord as the norm. This, in turn, it has been argued, has distanced claimants from their responsibility for paying their own rent until the introduction of the Local Housing Allowance (LHA) that has re-established the principle of paying HB directly to claimants.

HB is a stand-alone benefit, designed and administered separately from other benefits. Tenants in both the private and the social rented sector can be eligible for HB, but it does not provide help with mortgage costs for owner-occupiers or non-rent-related housing costs.

HB is a very complex benefit because, there are different rules for HB for tenants of social and privates landlords, a number of old HB schemes running in parallel and in addition to the assessment of income and assets, it also contains a ‘rent test’. For the rent test, administrators have to establish the customer’s occupancy of the household and liability to pay rent. Also, as HB is available as an in-work benefit, there are extra rules relating to the treatment of earnings and tax credits.

There are also administrative complexities to HB as since its introduction in 1983 it has been delivered by (currently) 381 LAs across Great Britain, that have a statutory duty to administer HB. Therefore, any reform of the system needs to consider the implications for delivery as well as the rules relating to entitlement.
The key focus of HB is to provide support for housing costs and make it possible for households to live in accommodation that is appropriate to their needs. However, it is also important that the benefit award should be of an amount that is considered to be reasonable. To ensure this function there are a lot of different priorities which must be considered.

In the Budget 2008\(^1\) statement, the Government announced an internal review of the working age HB system to be taken forward by the DWP and Her Majesty's Treasury (HMT):

‘Despite HB being available both in and out of work, it is still seen by some as a disincentive to work. Expenditure is also rising, even though the number of people claiming is forecast to remain static. As the LHA is introduced, the Government will therefore undertake a comprehensive review of the working age HB system, to look at its effectiveness, particularly in promoting work incentives, efficiency and fairness and to ensure that it represents value for money for the taxpayer.’

The overall aims of the HB review are to:

- establish what is driving the forecasted increase in HB expenditure and what scope there is for reducing or controlling it;
- understand clearly what aspects of HB remain a barrier to work (actual or perceived) and what more could be done through HB to reduce child poverty and promote sustainable communities;
- consider the cost/benefit analysis for changing administrative responsibilities for HB; and
- set out a clear strategy for the future direction of HB, taking account of wider benefit reform and strategic developments on the housing side.

The DWP has policy responsibility for HB in England, Scotland and Wales, and provides the funds to be paid to HB recipients.

1.2 Literature review

This literature review forms part of the evidence base for the HB review. It was not intended to be a comprehensive account of all research on HB, rather it is organised around five main themes central to the HB review and covering the research undertaken during the period 1992 to 2008; Social Housing and Worklessness; Under-occupation and Mobility; HB as an in-work benefit; Single Room Rent (SRR) and the Private Rented Sector (PRS); and Management and Performance.

\(^1\) http://www.hm-treasury.gov.uk/media/7/2/bud08_chapter4.pdf
The following reports were reviewed under each section:

- **Social housing and worklessness**
  Social Housing and worklessness – key policy messages
  Social Housing and worklessness: Qualitative research findings

- **Underoccupation and mobility**
  Underoccupation in LA and HA housing
  Under-occupation in social housing
  Evaluation of DWP under-occupation pilots
  Mutual exchange as a means of moving home for tenants
  Social housing tenants’ attitudes to rent levels and rent differentials
  Who moves and why? Patterns of mobility in the HA sector in London

- **HB as an in-work benefit**
  Moving into work
  HB and CTB as in-work benefits
  Easing the transition to work

- **SRR and the PRS**
  LHA Pathfinder evaluation – Summary of evaluation reports
  Research into the SRR regulations
  HB simplification in the PRS

- **Management and performance**
  Reporting changes in circumstances
  Management styles and characteristics of local HB managers
  LA experience in outsourcing HB and Council Tax Benefit (CTB)
  Competitive tendering and management of HB and CTB administration
2 Social housing and worklessness

Due to fairly high levels of worklessness among tenants in social housing, one of the main areas considered within the Housing Benefit (HB) review is social housing and worklessness. It is important to uncover the reasons behind the high levels of worklessness in the social rented section. The key question relating to social housing and worklessness, with respect to HB, is whether living in the social rented sector acts as a disincentive to work. As many HB claimants live in the Social Rented Sector, any reform of the HB system would disproportionately affect tenants in social housing.

The Social Rented Sector comprises of both local authority (LA) (owned by the LA) and Housing Association (HA) (owned by registered social landlords, usually not-for-profit organisations) properties. Around five million working age people live in the Social Rented Sector in Great Britain. Under two million of them are HB recipients in social housing. There are specific groups that are over represented in the Social Rented Sector and are particularly unsuccessful with regard to the labour market. These groups are people with mental and behavioural disorders; carers; and those with multiple disadvantages.

This does not necessarily mean that living in social housing is a barrier to work in itself. It may be the case that there are specific issues facing those in social sector accommodation that disproportionately impact on their employment chances.

In 2006, the Secretary of State for Communities and Local Government (GLC) announced an independent assessment of social housing. Professor John Hills from the London School of Economics (LSE) was the lead in an independent assessment of social housing in England. The review was published in 2007 and deals with several important aspects of social housing. Hills states that the provision of social housing by not-for-profit landlords at sub-market rents is only one of the different forms that housing support can take (Hills, 2007, p.2).
Hills states that the social housing system in England is dominated by means-tested HB, provision of social housing at below-market rents and favourable taxation of owner-occupiers. It is important to note that the role of social housing has changed over the last quarter century. The sector has become smaller but there are still almost four million households who live within it. Seventy per cent of social tenants have an income which is within the poorest two-fifths of the overall income distribution. Between 1981 and 2006 the proportion of social tenant householders in paid employment fell from 47 to 32 per cent. There is not so much movement between dwellings for tenants than within the private rented sector. For social tenants, there is much less movement between dwellings than within the private rented sector, and more than 80 per cent of those residing in social housing today were also within the sector ten years ago (if they were born). Social rents are considerably below those in the private sector, particularly in London, and have grown less rapidly (Hills, 2007).

Hills states that a lot of different factors will affect the demand for and also the supply of social housing in the future. The expectation is that the number of households will grow more rapidly in the 25 years from 2001 than in the previous 25 years. Most of this growth will probably be in single-person households and these households will have different needs compared to larger households.

It is also important that the ratio of house prices to household incomes is higher than ever before. Looking at the future, econometric models suggest that an increase in new house-building on the scale now being debated might stop the house price to income ratio rising in the long run. This would not in itself lead to house purchase becoming any more affordable (or less unaffordable) than it is now (Hills, 2007, p.6).

In the 1980s and 1990s part of the pressure on social housing was relieved by the supply of vacant properties. These vacant properties were the result of some tenants moving out of the sector and from elderly tenants who died. But it is also a fact that in the last five years the number of lettings available for new social tenants has fallen rapidly from about 250,000 each year in the 1980s and 1990s to 170,000 in 2005 (Hills, 2007, p.6). This is because it becomes harder for tenants to afford to move out and also because the age structure of tenants has become younger.

To improve the situation with all its pressures within the social housing one possible reform would be a much more market-based, less rationed system. If rents were closer to ‘economic’ levels, less, or even no, central Government subsidy would be required, and social landlords could much more easily increase supply. Negative effects of such a reform could be that the higher rents, particularly in high-cost regions, could impair the promotion of work incentives and also hinder the achievement of more mixed-income communities. They would also have significant effects on existing tenants (Hills, 2007, p.6).

Department for Work and Pensions (DWP) commissioned the Centre for Regional Economic and Social Research (CRESR) at Sheffield Hallam University to carry out
a large scale qualitative research study to improve their understanding of what causes the low employment levels of tenants in the social rented sector.

Two reports were published in 2008 – the full research report and a report looking at the key policy messages/implications.

2.1 Social housing and worklessness:
   Key policy messages

May 2008

This report presents the key policy messages to emerge from a study that explored possible explanations for the relatively high levels of worklessness among tenants in social housing. The research sought to build on existing evidence regarding the characteristics and factors that inhibit moves into employment by social tenants.

In addition to a review of relevant literature and secondary data, the research approach centred on in-depth, qualitative interviews with social tenants with a recent or ongoing experience of worklessness. More than 120 interviews were conducted with tenants living in concentrated and pepper-potted areas of social housing in four local authority districts (Derby, Islington, Peterborough and Sheffield). Interviews were also completed with 30 people with a recent or ongoing experience of worklessness living in the private rented sector. All respondents were living in neighbourhoods located close to major centres of employment.

The report is structured around six key themes identified by DWP, Communities and Local Government (CLG) and Cabinet Office as potential areas for effective intervention – geography, mobility, tax and benefits, social housing as a work incentive, further barriers to work facing social tenants and integrating services.

Key findings

Social Housing as a Work Incentive

- The vast majority of respondents reported that living in the social rented sector did not present a barrier or disincentive to work. There was no evidence that levels of labour market attachment shifted when respondents moved between tenures.

Geography

- No consistent evidence of cultures of worklessness in deprived areas.

Mobility

- Few respondents reported that the difficulty of moving house within the sector acted as a barrier to securing work.
Tax and benefits
• The complexities of the benefit system were found to act as a disincentive to entering work for some respondents.

Further barriers to work facing social tenants
• The social tenants interviewed tended to face multiple disadvantages that were often severe in nature and sometimes hidden from view.

Integrating services
• The social tenants interviewed faced multiple disadvantages that were sometimes hidden or denied. The lives of many of these individuals were found to have been made more difficult by the fragmented way in which public services operate.

Key policy messages and recommendations

Social housing as a work incentive
• Sub-market rents represent a work incentive, as does the security of tenure provided by the sector, but the social housing system is not run in a way that seeks to maximise this potential.

There is significant potential for social landlords to support greater labour market participation among their tenants. This support might take two forms: the direct provision of training and employment opportunities; and support to help tenants secure and sustain employment. Two fundamental questions: First, why should social landlords bother, when their primary management objectives are not directly served by the resourcing or delivery of employment support? Second, what role will social landlords play and what partnership arrangements will be required to facilitate their contribution?

Geography
• It appears unlikely that efforts to diversify the social mix in existing areas of social housing will have a substantial impact on levels of worklessness, without also taking effective steps to improve the incomes and to promote the livelihoods of existing tenants. This will need to involve outreach work to connect workless residents with services and the local provision of training and job opportunities.

Mobility
• Restricted opportunities for mobility in social housing are not a key barrier to work and are unlikely to account for high levels of worklessness within the sector. People whose employment opportunities are limited to low paid, insecure work see little reason to move for work-related reasons. Greater assistance with moving might be appropriate in places which are isolated from employment opportunities or where transport links are very poor; efforts to widen tenants’ geographical horizons with respect to the local labour market might make sense in some places, such as large estates in large conurbations.
Tax and benefits

- Any reforms to tax and benefits should aim to make the ways that the system ‘makes work pay’ more easily understandable to social tenants. The research findings would appear to support the case for moving to a single system of working age benefits.

Any such reforms will need to recognise that people often assess whether or not they can afford to work in relation to the household unit, not as an individual; that for some people (such as lone parents) attitudes toward paid work are not governed by economic priorities, making them less likely to respond to economic incentives; and that some social tenants are too distant from the labour market for clearer messages about why work pays to impact on their ability to consider looking and entering work.

Further barriers to work facing social tenants

- The complex personal situations found to be inhibiting labour market engagement among the social tenants interviewed point to the importance of promoting integrated service provision in order to support these people into work.

The range of services included in the provision of such support will need to include health and social care, childcare providers, financial and benefit advice services, and offender support and probation services.

Integrating services

- The linked interventions targeted at residents in social housing will need to display a number of common features, including the involvement of agencies possessing credibility with local residents, whose role is to enable, rather than police, and which employ local residents in client-facing roles.

It will also be important to recognise the need to tackle the multiple challenges that some people face before being able to consider entering work. Social landlords will have a role to play within such local partnerships.

2.2 Social housing and worklessness: Qualitative research findings

August 2008

As mentioned previously, in his recent review of the future role of the social rented housing sector, John Hills (2007) observed that levels of worklessness within the social rented sector were disproportionately high, even when taking into account the relatively high levels of disadvantage apparent among the tenant base. This report presents detailed findings to emerge from the study commissioned by the DWP which set out to explain the relatively high levels of worklessness apparent within the social rented sector.
Key findings

Social housing as a work incentive

- Being a social tenant was not recognised as presenting any unique or particular barriers to work.

- Significant work incentives were associated with being a social tenant. In particular, respondents referred to sub-market rents, the sympathetic and flexible attitude of social landlords and the stability provided by security of tenure.

- Work incentives associated with being a social tenant were less readily recognised by people who were not named tenants, people who had no experience of other tenures and people more distant from the labour market.

- Living in private rented housing was seen as presenting numerous barriers to work. These included relatively high entry costs and rent levels, and insecurity, linked to both tenancy conditions and the unsympathetic attitude of landlords to financial problems encountered upon entering or losing work.

- These findings suggest that levels of worklessness are high within the social rented sector, not because tenants do not recognise or realise these incentives, but because they do not overcome the breadth and depth of concerns that social tenants have about the financial viability and risks associated with entering low paid and often insecure work.

Geography

- Area effects were evident in a few case study areas. They were more prevalent in communities: suffering from persistent worklessness and poverty; displaying a strong sense of ‘local identity’; with low levels of residential mobility; and exhibiting high levels of social contact between residents.

- They were least evident in the ‘pepper-potted’ neighbourhoods with some respondents in these locations identifying advantages of living there for their prospects of securing work.

- Nevertheless, it would be a mistake to conclude that area effects are inevitably associated with, and likely to influence, levels of worklessness in areas of social housing.

- The main area effects were about ‘people’ and included: reported experiences of postcode discrimination; social norms and routines that result in peer influences resistant to formal paid work; and the narrow spatial horizons of some residents which serve to restrict the geographical extent of job search and travel to work.

- Residents in neighbourhoods where such effects were most pronounced were, however, embedded in locally-concentrated social networks which help them to ‘get by’. Family and wider social networks provided a range of support including childcare, financial help, transport and job leads.
There is no consistent evidence for the existence of cultures of worklessness in the case study areas. Residents have been affected by economic and social change in various ways. Some have never worked, others have had stable employment histories transformed by redundancy. Many others were caught in a ‘revolving door’ of low paid work and worklessness. However, economic marginality and poverty were common to all.

**Mobility**
- No social tenants reported that restricted residential mobility impacted on their chances of finding work.
- Social tenants rarely suggested that relocating to another neighbourhood would improve their chances of securing employment.
- Very few social or private tenants were willing to contemplate moving to improve their job opportunities and only a small number reported they would move for a definite offer of work.
- The costs assumed to be associated with a move for work-related reasons (severing of social ties and loss of key resources) were reported to outweigh the benefits (low paid, insecure work).
- Some tenants were keen to move house and neighbourhood, but the common drivers of mobility were the desire to move to a ‘better’ neighbourhood or to move into more suitable accommodation.
- Few variations in perceptions, attitudes or experiences were found across the case studies, although social tenants in areas of concentrated social housing (particularly in Derby and Sheffield) tended to have stronger ties to their place of residence and were less likely to countenance moving.

**Tax and benefits**
- The effects of the tax and benefit system emerged as a significant issue for both social tenants and those in the private rented sector.
- It is clear that poor job quality is a significant labour market barrier for many residents with low human capital. Many interviewees highlighted the low paid, insecure nature of the available employment opportunities, which meant that work did not pay.
- The financial consequences of entering work are not always clear (even after better-off calculations) and may take considerable time to become apparent. Groups furthest from the labour market are more likely to rule out work as ‘unaffordable’.
- The complexity of the tax and benefits system may act as a work disincentive. It was clear that many had not got to grips with the complex interaction between earnings, tax credits and HB.
• Many respondents raised concerns about the potential difficulties, in terms of both the inherent uncertainties and bureaucracy, of returning to benefits. Interviewees frequently highlighted a lack of communication between Jobcentre Plus and their landlord over the payment of HB which had led to technical rent arrears and the accrual of other debts.

• Groups most distant from the labour market often contrasted the insecurity of available labour market opportunities with the stability of benefit.

• The interview team encountered some individuals who remained committed to seeking formal paid work despite the problems of low pay and chronic insecurity. The present research has highlighted the importance of several key ‘resilience factors’. These include: the age of tenants; their level of financial commitments; their access to social networks predominantly composed of individuals in work; and the centrality of work in some individuals’ sense of identity.

Further barriers to work facing social tenants

• Six particular characteristics were found to inform the weak competitive position of many social tenants in the labour market: health issues; childcare responsibilities; debt; drug and alcohol dependence; criminal records; and multiple disadvantages.

• As well as shutting off particular types of work, these problems also affected many respondents’ general employability; this was especially the case with mental health issues.

• Apart from childcare needs, most of these barriers represented personal difficulties faced by the respondents themselves, but there were also some ill-health and drug dependence cases where the problem was being experienced by another member of the household or wider family.

• Many interviewees reported that they faced more than one of these additional barriers, as well as lacking skills and qualifications and extensive work experience.

• In some cases these multiple disadvantages were severe in nature and sometimes hidden from the view of official agencies (e.g. undiagnosed mental health problems).

• The impact of these multiple barriers appeared to be additive, each disadvantage adding extra burdens and bringing a corresponding reduction in people’s competitive position in the labour market.

• These severe, often multiple and unseen or denied problems are unlikely to be fully appreciated by traditional survey measures and point to why previous analysis has struggled to explain the relatively high levels of worklessness within the social rented sector.
Key policy messages and recommendations

Key policy messages and recommendations are also detailed in the separate report (Social Housing and Worklessness – Key policy messages) but cover:

Social housing as a work incentive

- The social and private renting tenants interviewed did not recognise living in the social rented sector as presenting any particular barriers to work. In fact, many respondents, particularly named tenants who were actively looking for work, pointed to benefits associated with living in the social rented sector that serve to render work a more viable and sustainable proposition.

- In contrast, social tenants perceived the private rented sector to present multiple barriers to work.

- Social tenants reported that sub-market rents serve to make work a more financially feasible proposition.

Geography

- A key conclusion which emerges from the research is that area effects are not a significant part of the explanation for the high rates of worklessness found amongst social tenants. Reference to area effects was largely absent from the personal accounts of most interviewees.

- The main effects were about ‘people’ and included: postcode discrimination; social norms and routines that result in peer influences resistant to formal paid work; and the narrow spatial horizons of some residents which serve to restrict the geographical extent of job search and travel to work.

- The present study suggests that such effects are more likely to be apparent in communities: suffering from persistent worklessness and poverty; displaying a strong sense of ‘local identity’; with low levels of residential mobility; and exhibiting high levels of social contact between residents.

Mobility

- Difficulties moving within the social rented sector do not appear to be a major barrier to work. The vast majority of social tenants interviewed did not think that moving to a different area would improve their chances of getting work.

- The findings suggest that efforts to facilitate greater mobility within the social rented sector for work-related reasons are unlikely to have any significant impact on levels of worklessness among social tenants.

Tax and benefits

- The effects of the tax and benefit system were found to be a significant issue for both social tenants and those in the private rented sector. Furthermore, the present study suggests that the complexity of the benefit system may act as a work disincentive.
• Poor job quality is a significant labour market barrier for many residents with low human capital. Many interviewees highlighted the low paid, insecure nature of available employment opportunities which meant that work did not pay.

• Groups most distant from the labour market often drew attention to the insecure, casualised nature of work and contrasted this unfavourably with the apparent stability of benefits. Thus, for some it was the prospective insecurity of moving from benefits to work which was a key barrier to labour market engagement.

Further barriers to work facing social tenants

• Although the interviews did not explicitly set out to explore the extent to which respondents had tried to make use of relevant support services, it was apparent that the availability and awareness of these was patchy at best but often non-existent.

• This points to the importance of providing a wider and more easily accessible range of assistance at local level, preferably via some model of integrated service provision, in order to ensure that the support that such disadvantaged people need to return to work is readily available where it is most needed.
3 Underoccupation and mobility

Underoccupation and mobility forms a crucial theme of this literature review – it refers to two of the principal objectives of the Housing Benefit (HB) review: ensure that those on benefits do not have access to more expensive accommodation than their counterparts, who are not on benefits, and guarantee value for money.

It is apparent that as long as there are cases of underoccupation, people living in housing that is bigger and more expensive than they are actually entitled to, the housing market is not being run as efficiently as it should. To ensure that the benefits reach those who are in need, underoccupation needs to be avoided and mobility supported. One way to support mobility is by encouraging underoccupying council tenants, eligible for HB, to move to smaller properties.

3.1 Underoccupation in local authority and housing association housing

Department of the Environment
1992

Key findings

Underoccupiers

- Fewer than one in four households with ‘spare’ bedrooms are single pensioners.

- Just over half of households with two ‘spare’ bedrooms contain two people. Households with one ‘spare’ room are much more varied: this is due to assumptions made in the bedroom standard about the extent to which children should be able to share bedrooms.
• Analysis from the Labour Force Survey (LFS) (1988) shows that when comparing the incidence of underoccupancy within each household type, a single elderly person is less likely to be underoccupying than a middle aged person on their own.

• The household that is most likely to be underoccupying contains two adults rather than one and is not necessarily elderly – households in which at least one person is still below retirement age are more likely to have ‘spare’ rooms than older households.

• Black and minority groups are less likely to be short of bedrooms, than white people. One half of white tenants are above the standard and only one in 25 below.

• Most of the underoccupiers thought they had the right amount of space.

• Underoccupation in surveys often involves bedrooms in which members of the household or visitors sleep on a regular basis.

• Most underoccupiers were content with their dwelling and around half had no intention of ever moving.

• Underoccupiers/potential movers prefer two bedroom houses and bungalows and do not want to move to sheltered properties or bedsits which landlords have a lot more of compared to larger dwellings. There were very few landlord initiatives on underoccupation which had very little influence.

**Landlords**

• There is little evidence that underoccupation is a sign of bad management. The size mix of the housing stock is a more crucial factor. The survey suggested that over 80 per cent of social rented tenants who underoccupy are in this position because children or others have left the household, or because they have obtained the property on succession or a mutual exchange.

• Landlords in ‘stress’ areas tended to be more stringent in their initial allocations policies than those outside stress areas.

• Most landlords did not have exact information on the extent of underoccupation in their stock or on the kinds of household that were underoccupying but on the other hand they had very accurate knowledge of the requirements of those underoccupiers who apply for a transfer.

• Housing associations have the lowest level of underoccupation in any tenure. Note that this was the position 16 years ago, for more current work on the area see Section 3.2.
**Key conclusions**

- Three stages are crucial: whether a strategy on occupancy is actually desirable in a particular area; the development of a local package of initiatives with a realistic assessment of the contribution that improving occupancy could make to the measured need for larger dwellings; the possibility of special assistance (from the Department of the Environment or the Housing Corporation) in areas where local authorities and housing associations can demonstrate that the total contribution from policy initiatives cannot make a significant impact on needs.

- Those who apply for a transfer tend to be in older and smaller households, but in the main survey only 41 per cent were ‘pensioner’ households. More than a quarter were aged under 50. Nearly half lived in two person households.

- The survey work confirmed that changes in the composition of households are the major cause of underoccupation. Successions and mutual exchange also play a role.

- With regard to the landlords, most underoccupation results from the simple passage of time and not because of ‘bad management’.

- London has the least underoccupation of any region but some of the highest levels of homelessness and overcrowding amongst existing tenants. Some areas with the lowest levels of underoccupation have the most need to do something about it.

- The ‘spare’ bedroom can fulfil a variety of social functions, e.g. provision of care, childcare, some of which might fall to the State to provide if the spare room is no longer available.

- Social rented dwellings have been built small for reasons of economy or because they were intended for a small household. Building small has helped to undermine the ability of social landlords to cope with the needs of families.

- Larger dwellings may be more expensive to build, but they are a more flexible resource in the long run.

- It must be considered very carefully just how much needs to be done about underoccupation given local circumstances.

- There seems to be a good case for consulting with tenants about occupancy. It would help to clarify how important it is to improve occupancy in a given area, to establish what kinds of initiatives are likely to succeed, and to reassure anyone who feels threatened.

- With regard to the transfer list, gearing incentive payments to those who either leave or accept a particular size of property can be helpful.
• If it can be demonstrated that an area has a particular need to improve occupancy but that the cumulative effect of policy initiatives will have little impact, the Department of the Environment (now called the Department of the Environment, Heritage and Local Government) and the Housing Corporation\(^2\) might like to consider whether any special assistance can be given.

• Many point schemes fail to make proper distinctions and treat the degree of underoccupancy as the only important variable.

• The issues of fairness and the impact on ethnic minorities need to be considered very carefully and to form part of any strategy on occupancy.

• It is very important that those elderly underoccupiers who are prepared to consider sheltered housing should be offered a dwelling they will accept.

• If a sheltered scheme is unpopular or resources are not available for modernisation it might be better used as a hostel for single homeless people.

• Assisted purchase schemes can release family-sized housing from any existing tenant, irrespective of whether they are currently underoccupying. These incentives may be attractive to younger households, some of whom might otherwise continue to underoccupy for a considerable time.

• Landlords are often very positive about the promotion of mutual exchanges (see Sections 3.4 and 3.6), even though it is unclear whether they can play a significant role in resolving mismatches in occupancy.

• It seems sensible that property size and occupancy should play an integral part in the development of local partnerships between LAs and HAs.

• To enable HAs to build properties specifically for underoccupiers (who wish to move away from stress areas) which are sited in areas where there is a proven demand from underoccupiers, then even a new building programme would be relatively cost effective.

• There is a strong case for trying to assist landlords who are under the most pressure by improving access to small properties in other areas.

• Even a higher level of one-for-one exchanges between different areas might be useful.

• The research suggests that social landlords have little information on the extent of underoccupation within their stock. This makes it difficult to target publicity and to plan coherent strategy.

\(^2\) Please note that from the 1st December 2008, the Housing Corporation ceased operations. The former Investment arm of the Corporation now forms part of the Homes and Communities Agency (HCA), while the Regulation arm has become a separate body called the Tenant Services Authority (TSA).
Policy implications (see more updated work in Section 3.2 for further policy implications)

- In the case that landlords may feel that whilst improving occupancy is highly desirable, the scope for action is very limited, there may be a case for special assistance from the Department of the Environment (now called the Department of the Environment, Heritage and Local Government) and the Housing Corporation (now referred to as ‘The Homes and Communities Agency’).

- It is worth trying several policy initiatives because the effect can be cumulative. Developing the right mix of policies can only be done locally.

- Letting small properties to underoccupiers detracts from a landlord’s ability to re-house other small households who may be in great housing need.

- It would be very shortsighted to assume that everyone with spare accommodation should be considered an appropriate target for policy initiatives because in many households the spare room fulfils an important role.

- Most underoccupiers have been tenants for a long time and most landlords would show extreme reluctance to implement policies that penalised them in any way. It would also be very hard to devise a policy (e.g. in respect of rents or benefits) that did not result in considerable hardship and injustice.

3.2 Underoccupation in social housing

Housing Research Summary, Number 141, 2001

The report highlights circumstances where social landlords may want to adopt means to manage underoccupation in their stock, and to recognise and evaluate the initiatives adopted by them. Furthermore, it discusses good practice for those social landlords who wish to support underoccupiers to move to a smaller property if they want to.

Key findings

- Underoccupation strategies can make a valuable contribution in areas where social landlords do not receive enough family-sized relets in the normal way. However, underoccupation is not necessarily a bad thing and in areas of low demand, underoccupation strategies can be inappropriate and counterproductive.

- As expected the landlords that are most energetic in trying to reduce underoccupation tend to be those, especially in London and the South East, who are short of family-sized homes, although landlords in most parts of the country are also short of four bedroom and larger homes.
• The scope for producing more properties that would appeal to underoccupiers is limited by resource constraints. Increasing the number of moves is likely to require intensive staff effort and capital investment. Some landlords who have tried underoccupation strategies felt that the effort required to increase moves was not effective, as they do not have the right properties to offer underoccupiers. In many stress areas there is a shortage of the two bedroom properties that single underoccupiers and couples want.

• There was a clear indication that housing managers in some LAs found it difficult to develop a strategy which was sufficiently responsive to tenants’ needs, i.e. in terms of allowing tenants time to re-visit a property and to complete a move whilst not compromising their authority’s performance on key housing management areas such as minimising void rates and re-let times, and maximising rent collection.

• A combination of positive inducements and the personal approach is the most useful for encouraging moves. It is important that the real cost of the move is covered and that tenants are given the right support to overcome the obstacles to a move. Specialist underoccupation staff can be particularly successful in winning the trust of tenants and negotiating a way forward.

• Positive incentives do have some limited effect. They can be helpful for people who want to move but cannot afford to do so and others who may be encouraged to consider a move earlier than they would otherwise have done. What inducements will not do is change the minds of people who are very satisfied with their existing home.

**Conclusions**

The researchers conclude that providing for minimum bedroom requirements and trying to maintain a tight fit in the social rented stock is unlikely to prove very successful. Social housing providers should work together to plan for changes in household size such as by providing more two bedroom properties.

**Policy implications**

There is a need in some areas to reduce underoccupation in order to relieve housing stress but there are also several policy considerations, which can militate against reducing underoccupation:

• The movement towards lifetime homes and the aim of helping the elderly stay put with the help of aids and adaptations.

• The desire of many social landlords to create more sustainable communities, in which elderly and long-term residents have a crucial role to play.

• The need for space standards in social housing to reflect rising expectations, failure to do this could prejudice the future lettability of the stock.
3.3 Evaluation of Department for Work and Pensions Underoccupier Incentive Scheme

April 2002

The evaluation of the ‘incentive payments scheme’ that Department for Work and Pensions (DWP) started as a pilot programme in the year 2000/01 is presented in this report. The scheme intended to encourage council tenants eligible for HB and underoccupying their homes to relocate to smaller homes. The scheme, which aimed at ‘trading-down’ movers eligible for HB, was motivated by the greater objective of efficiently using the existing housing stock.

The primary objective was to make overall HB savings by moving eligible tenants to cheaper homes – where the HB costs would be lower. The scheme’s overall objective is to reduce HB costs attributed to social sector tenants occupying homes larger than their actual needs. The research explores maximising the volume of trading down moves by underoccupiers and maximising the average reduction in rent associated with trading down moves.

Key findings

Trends in the volume of underoccupier moves

• The number of trading down moves in the pilot LAs has declined over the past few years, though this trend is partly a reflection of falling turnover in council housing in London seen since 1997. There is no sign of any marked change in these trends coinciding with the introduction of the DWP incentive scheme in 2000/01.

The nature of underoccupier moves

• Most trading down transfers in the pilot authorities involve moves from two or three bedroom homes to one bed properties. Very few underoccupier moves free up four bedroom homes.

• About a quarter of moves involving underoccupying council tenants are to RSL (registered social landlords) tenancies.

• Whilst most trading down movers are older people, young adults – some with children – are significantly represented. Over two-thirds of movers are eligible for HB.

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3 The DWP Social Security Payments to Reduce Underoccupation (SSPRU) Underoccupier Incentive Scheme is operated under S79 of the Welfare Reform and Pensions Act 1999 and the SSPRU Regulations statutory instrument (SI 2000/637). The scheme’s overall objective is to reduce the cost of HB attributable to social sector tenants occupying homes larger than their ‘needs’. 
Qualification for incentive payments

- Most tenants receiving a payment under the DWP incentive scheme also qualify for the incentive schemes run by the pilot LAs, themselves. Overall, however, less than half of all underoccupier movers in the three boroughs received DWP payments – a much lower proportion than for LA payments.

- Among tenants who received them in 2000/01, the average value of DWP and LA payments was about the same at around £1,000. A small number of those qualifying for both payments received sums totalling over £4,000.

Impact of underoccupier moves on the benefit bill

- In general, moves by underoccupiers eligible for HB reduce the overall benefit bill. This is partly because the average HB payment for which former underoccupiers are eligible in their new home tends to be smaller than what was the case in their old homes.

- It also reflects the fact that tenants who move into the homes vacated by outgoing underoccupiers are slightly less benefit-dependent than their predecessors. But these savings pale almost into insignificance compared with the effect on the benefit bill of rehousing homeless households out of expensive temporary accommodation where HB costs tend to be very large.

- It must be stressed that ‘savings’ can be attributed to the DWP incentive scheme only to the extent that the trading down moves from which they stem are genuinely additional to those which would have taken place in the absence of the scheme, i.e. moves brought about by the availability of incentive payments.

Factors prompting underoccupier moves

- The factors which motivate underoccupiers in favour of moving tend to reflect the age distribution of those concerned, rather than being directly linked with underoccupation itself.

- Whilst a number of tenants saw their move as a socially responsible act in a situation of housing shortage, none of the 83 interviewees mentioned any financial motivation for seeking a move.

Impact of incentive schemes on tenants’ rehousing choices

- Tenants’ testimony provides no evidence that the DWP incentive scheme had a discernible impact on decisions either to apply for a transfer or to accept transfer offers more readily. Very few underoccupiers were aware of or understood the SSPRU scheme when applying for a transfer or responding to a tenancy offer and therefore, it could not have affected their considerations.

- There is also relatively little evidence that the incentive schemes run by the pilot LAs themselves had much influence on these decisions. Whilst awareness of LAs’ schemes was relatively widespread, only a fifth of respondents recalled having heard of these before registering for a transfer.
• Among the 83 respondents only four reported that the availability of incentive payments had been a material factor which had affected their decision-making and actions in relation to their move. In all these cases, however, the tenants referred to the LA scheme rather than the SSPRU initiative.

• Underoccupiers in receipt of HB are overwhelmingly disinterested in rent levels and very few are aware that the structure of the DWP scheme gives them an incentive to trade down to a cheaper home.

**Attitudes towards non-financial help for movers**

• Awareness that LAs make available non-financial assistance to underoccupiers is fairly widespread among the target group for such help. Assistance of this kind, e.g. arrangement of removals, utility disconnection and reconnection – tends to be valued more highly than cash payments.

**Key conclusions**

• There is little or no evidence that the DWP incentive scheme has so far brought about trading down moves by underoccupiers which would not otherwise have taken place.

• Whilst the availability of incentive payments is believed to have a marginal impact in terms of encouraging underoccupiers to register for a transfer, the relatively recent introduction of the DWP scheme could explain the absence of any evidence that this has, so far, taken place.

• Overall, however, the research findings compound those of earlier studies that the quality of vacancies and the practical help offered to potential movers are much more significant than the availability of incentive payments in encouraging underoccupiers to move.

• It is highly unlikely that the structure of the DWP incentive scheme has sensitised underoccupiers towards differences in rents between properties vacated and taken up. This follows from the finding that very few of those qualifying for a payment under the scheme understood how this was calculated.

• Within the traditional allocations framework the opportunities for re-housing applicants to prioritise ‘low rent’ vacancies are extremely limited. Under the ‘choice-based’ systems being developed in the pilot authorities, however, the scope for weighing up re-housing options is likely to be greater. Within this framework, therefore, it may be more realistic to imagine that the structure of the DWP incentive scheme may influence tenants’ re-housing choices such that they give priority to onward moves where rents are lower.

• Given that very few if any underoccupier moves can be attributed to payments under the DWP incentive scheme, the scheme cannot fairly be credited with the reductions in HB expenditure which undoubtedly flow from trading down moves by underoccupiers. It is, therefore, questionable whether the £175,000 annual cost of the scheme represents ‘value for money’.
Recommendations

- The pilot LAs should be encouraged to publicise, more widely, the benefits on offer for underoccupiers prepared to move; the aim being to sway unregistered underoccupiers in favour of applying for a transfer.

- The pilot LAs should be encouraged to consider the desirability and feasibility of adopting a standard procedure whereby all underoccupiers registering on the transfer list are offered an interview to discuss their re-housing options and the benefits available to them.

- The pilot LAs should be required to improve the completeness of their statistical monitoring on underoccupier moves, both in terms of ensuring that all trading down moves are recorded (irrespective of the destination of the move), and in terms of minimising missing data items for each mover (especially in terms of rent and HB data).

- The Department should consider the possible value of commissioning a second phase to the evaluation to consider the impact of choice-based lettings for underoccupier movers in the context of the SSPRU incentive scheme. Alternatively, it might be possible to obtain the agreement of the Department of Transport, Local Government and the Regions (DTLR) to incorporate a specific focus on underoccupation within its main evaluation of choice-based lettings in the DWP’s pilot LAs.

- The Department should consider whether the resources currently devoted to the pilot incentive scheme might be better used in underwriting the additional staffing and other costs incurred by LAs in providing underoccupiers with practical support and counselling of a more intensive nature than presently offered.

3.4 Doing it for themselves: Mutual exchange as a means of moving home for tenants

September 2002

This research was carried out in 1999-2000 and is composed of four parts: a survey of tenants who had exchanged homes; a postal survey of tenants seeking to exchange homes and who were registered with HOMESWAP; a postal questionnaire survey of social housing landlords with more than 500 homes; and a comparative analysis of the moves made by social housing tenants transferred by the landlord.

An overview of what is known about mobility within social housing is presented in this report. The characteristics of sample households who had successfully exchanged and those still seeking an acceptable exchange partner are taken into account. It examines the search strategies that were, or are being, used by these two groups. The report also takes into account the differences in the types
of properties achieved by the mutual exchange route and compares this with the moves achieved through landlord transfers. In addition, the report explores the issues of change in location and the impact that rent levels play in decision-making.

**Key findings**

- Mutual exchanges occur when two tenants swap homes by legally assigning their tenancies to each other. In the last five years, nearly a quarter of a million social housing tenants have moved home in this way.

- Mutual exchanges were an important source of movement within the social rented sector, and offered a route to mobility for groups with relatively few other housing options. Lone parents in particular were more likely to move home through mutual exchange.

- In common with most moves by social housing tenants, most mutual exchanges took place over relatively small distances. Around 75 per cent of exchanging households moved within five kilometres, and over ten per cent moved less than 500 metres. Only five per cent moved more than 50 kilometres.

- Tenants used a range of search strategies to identify their move partners, although advertising through the landlord was the most consistently used method. Use of the national HOMESWAP scheme increased with the distance moved. Word of mouth predominated for short-distance moves.

- Employment-related reasons for moving were of marginal significance, even for longer-distance moves. Less than two per cent of exchanging households moved for work reasons, and only five per cent of the few who moved more than 100 kilometres did so for this reason.

- Tenants’ decisions to move by mutual exchange did not appear to be influenced by the difference in rent between their old and new homes. This applied equally to households whose rent was met by HB and to those meeting the full costs themselves.

- Differences in the degree of legal security of tenure offered by the various types of social landlords did not seem to affect the decision to move from one type of landlord to another.

**Key conclusions and implications**

*Patterns of movement in social housing*

- Moves by social housing tenants through mutual exchange form only part of a complex pattern of movement by applicants and tenants into, within and out of social housing.
Over the five years from 1995 to 2000, there were nearly 2.7 million lettings to social housing tenants, just over 1.6 million of which were lettings to new entrants. The remainder were lettings to existing social tenants, whose method of moving was by mobility schemes, direct application or nomination to other social landlords, transfer within their current landlord’s stock, or mutual exchange. Out of nearly a million lettings made in this way over the five-year period, nearly a quarter of a million were as a result of tenants moving through mutual exchange.

There is a strong relationship between the overall rate of new lettings and the rate of internal movement within the stock. There is a clear connection between higher rates of new lettings and lower rates of internal movement. At the national level, transfers and mutual exchanges have both declined consistently as new letting rates have risen. This relationship has a discernible geographic pattern, reflecting the relative supply and demand in different parts of the country. However, within this pattern the importance of the particularity of local housing markets shows through.

Mobility within social housing

For social housing tenants wishing to move home, the research revealed that a distinctive and different role was played by each of the main options available to them, and that each option catered for a different profile of households.

Moving, no matter which option was chosen, was most commonly pursued by households with dependent children. Although these make up just under a third of all LA tenants, 57 per cent of all moves out of LA housing into other sectors were made by families with dependent children. Among tenants moving within the social housing sector, families with children were 42 per cent of all transfers but 70 per cent of all mutual exchanges.

Among households with dependent children, moving to another home in the social housing sector is also related to the number of parents. While single-parent and two-parent families are equally represented in social housing, lone parents are nearly 50 per cent more likely to be transferred by their landlord than two-parent families, 50 per cent more likely to be seeking to exchange, and 80 per cent more likely to have actually moved by exchange than two-parent families. Couples with dependent children, however, are four times as likely to move into owner-occupation as are lone parents, a consequence of their greater earning capacity.

Achieving a mutual exchange

Searching for, and finding, a suitable mutual exchange presents problems not found in the owner-occupier or private rented sectors. There, house seekers are offered a choice of properties with vacant possession. The process of searching for a suitable property is aided by the existence of an extensive national network of specialist intermediaries, estate agents and standard forms of advertising.
• These factors are not present in the case of mutual exchanges. Moreover, tenants seeking a move in this way must necessarily find other tenants who are willing to exchange their own property for that of the seeker. This requirement for reciprocity and mutual acceptability is unique in the operation of the housing market.

• The study found that tenants used a wide range of media to find potential exchange partners. The advertising methods perceived by exchangers to be the most effective were closely related to the distance that exchangers actually moved. For very short-distance moves, word of mouth predominated. For moves within the same district, the information service supplied by landlords appeared to be the most effective. For the small numbers of long-distance moves, advertising in newspapers and the facilities of HOMESWAP were the most important.

Motivation for moving
• Those who were seeking and those who had achieved an exchange showed some clear differences in the reasons given for wanting to move by exchange. Those who had been successful in moving were almost evenly split between those giving property-based reasons for wanting to move and those who wanted to move to a different area. Only among lone parents did area-related reasons predominate.

• Those who had been unsuccessful in achieving an exchange, on the other hand, were much more clearly interested in changing their location. Nearly two-thirds gave area-based factors as the primary reason for the move. Only among couples with dependent children were the patterns of successful exchangers mirrored.

Distances moved
• Despite this concern with locality and neighbourhood, most moves were made over relatively short distances: over half were within a radius of 2.5 kilometres, and nearly three-quarters within a radius of five kilometres. Only 5 per cent of moves exceeded 50 kilometres in distance. The long-distance moves that were achieved by mutual exchange did not appear to be connected with employment. Of the 53 households moving more than 50 kilometres, only a handful did so for work-related reasons. Indeed, moving by mutual exchange at these distances appeared to be largely confined to those with no current engagement in the workforce.
The influence of rents

- Mutual exchanges between tenants provide a unique source of direct, experimental evidence of tenants’ behaviour in choosing combinations of price and quality. A willingness to accept changes in rent as a consequence of mutual exchange was not connected to the work status of the household. Analysis of the extremes of the range, i.e. the characteristics and moves of the ten households experiencing the largest increases/decreases in rent as a result of their exchange, maintained this pattern. There was, thus, no discernible tendency for households with a direct financial interest in rent levels to choose exchanges that resulted in lower rents. There was also no evidence that households dependent on HB had any predilection to choose exchanges resulting in a higher rent.

- These findings throw doubt on the assumptions that have been made about the behaviour of tenants in relation to variations in rent.

Informed choice

- The results of the study raise some questions about how well informed people are about some of the implications that follow from their exchange. Nearly 15 per cent of the sample of exchangers claimed that one of their motivations for moving was the future prospect of exercising the Right to Buy. Yet for the same people, the tenancy they had been assigned ruled out this possibility.

- There are also questions about how well informed tenants are about the range of other potential exchange partners nationally, and even locally. Landlords have an important role to play in ensuring that possible exchange opportunities are well publicised, and that tenants are aware of what assigning their tenancy entails.

- The researchers conclude that the lack of an accepted, readily available and transparent process for marketing mutual exchanges may be inhibiting the number of exchanges and the distances over which they occur. This unnecessarily constrains a route which represents a real opportunity for choice-driven tenant mobility.

Other implications

- This piece of research confirms findings of previous research and analysis of social housing tenants’ attitudes and reasons for moving in that rent level is not a major factor for those on HB or paying their own rent. Similarly, most moves are local and not made for employment reasons.

- Although this work was with social housing tenants, the behaviour of tenants in similar circumstances in the private rented sector is unlikely to be very different. Property and location factors are likely to be more important in tenants’ housing decision-making processes and therefore, the effectiveness of shopping incentives based on rent may be limited.

- Mutual exchanges clearly play a significant role as a ‘safety valve’ in areas where supply is tight and new lettings are constrained, allowing tenants to accept an initial offer of less desirable property with the option of a later move through mutual exchange.
3.5 Social housing tenants’ attitudes to rent levels and
rent differentials

ODPM, 2000

The Office of the Deputy Prime Minister (ODPM) (now CLG) commissioned the
Universities of Birmingham and Bristol, in 2000, to carry out research to explore
social housing tenants’ attitudes and reactions to rent levels and rent differentials.
The research findings are based on the results from face-to-face surveys with 868
tenants and ex-tenants in three LA areas (Southwark, Birmingham and Newcastle).
The survey element of the study made use of a Stated Preference (SP) approach,
which is not normally used in a housing context.

Key findings

• The research clearly shows that most local authority tenants have a strong
  preference for staying in their current homes, even when rents change by as
  much as +/- £10 per week on either their own home or alternative properties.
  Changes in the rents of other properties are unlikely to encourage them to
  move, although tenants are more sensitive to changes in their own rents.

• Younger tenants are more likely to consider moving than older tenants, as are
  tenants currently living in flats compared with those currently living in houses.
  Retired households are more sensitive to changes in their own rents than non-
  retired households.

• The research estimates the values that tenants place on particular property
  and area characteristics. Property condition is highly valued, as is security on
  the estate concerned. Properties that are slightly larger (one more bedroom)
  are more highly valued than significantly larger (two or more extra bedrooms)
  properties. Flats and properties with one bedroom less are negatively valued.
  This suggests tenants will optimise rather than maximise consumption.

• Tenants on full HB were more willing to consider the general possibility of moving
  when faced with changing rents than other tenants. The research suggests
  tenants on benefit would be more likely to consider accepting a lower rent in a
  less popular area.

Conclusions

• The research suggests that changes in rent levels and HB entitlements might
  have some role in encouraging households to consider relocation. However,
  security, crime and the perceived quality of alternative estates and properties are
  highly important factors in relocation decisions. Changes in relative rents and
  HB entitlements by themselves are unlikely to encourage a significant number
  of households to relocate within the sector.
• Few households would consider moving to a worse estate solely because rents are lower there. However, more would consider moving if their current rents were increased. Although sensitivity to rent and rent changes does not appear to vary greatly by income, lower income households would be most affected by rent increases on their current dwelling, if unprotected by current or reformed HB entitlements. On the assumption that such tenants were not so protected, and reduced rents on unpopular estates did encourage such households to move there, these estates are likely to become more residualised and even less socially mixed.

Implications
• This piece of research confirms findings of previous research and analysis of social housing tenants’ attitudes and reasons for moving in that rent level is not a major factor for those on HB or paying their own rent. Similarly, most moves are local and not made for employment reasons.

• Although this work was with social housing tenants, the behaviour of tenants in similar circumstances in the private rented sector is unlikely to be very different. Property and location factors are likely to be more important in tenants housing decision-making processes and therefore, the effectiveness of shopping incentives based on rent may be limited.

3.6 Who moves and why? Patterns of mobility in the housing association sector in London

June 2003

The Housing Corporation (now referred to as ‘The Homes and Communities Agency’) funded a research team at the University of Cambridge to carry out research on the patterns of mobility of tenants in the RSL sector in London. The study uses Continuous Recording of Lettings (CORE) data for 2000/01 and makes comparisons with Survey of English Housing (SEH) data for the same period and a Joseph Rowntree Foundation (JRF)-funded study, Mutual exchange as a means of moving home for tenants.

Key findings

Patterns of mobility
• Londoners are more mobile than households in the rest of England. Households renting in the private rented sector (PRS) are most mobile of all. However, registered social landlords (RSL) tenants in London move considerably less often than RSL tenants in England as a whole, reflecting the immobility of the RSL sector in London.
The vast majority of moves by RSL tenants in London and of those moving to Low Cost Home Ownership (LCHO) take place within the same LA area and over half of all moves are less than five miles. However, a quarter and a third of moves respectively cross LA boundaries. This is mostly due to the wider spread nature of RSL stock and newer developments now being mainly in outer London boroughs.

Very small numbers of moves are out of London (7% RSL tenancies and 9% to LCHO) but an even smaller number are of households moving into London from elsewhere in the county (3% RSL tenancies and 2% LCHO).

Employment-related reasons for moving were of marginal significance, except for longer-distance moves.

Who moves?

Households who do move tend to be those who are better off than non-movers. This is true for both moving tenants and those entering LCHO, but the difference is particularly marked among the latter.

The proportion of working households who are RSL tenants and who move in London is similar to those in the rest of England, but they move shorter distances. Families who move are much more likely to move within the same LA than households who make cross-boundary moves.

The households who move within the same LA are more likely to be lone parents or two parent families, non-working households and from a black or ethnic minority. Those households who move between LAs are more likely to be single adults, only one member in employment or be job seekers, homeless of moving from temporary accommodation.

Households who move to a new RSL letting are likely to come from LA housing, have children and of a black or ethnic minority. Over a third of households moving to a new letting are moving to a three bedroom or larger property. Those households who are moving to a re-let (an existing property) are mostly likely to be elderly, European and moving to a one bedroom property.

Those households who move to LCHO are very different from movers within RSL stock, commonly being a childless, duel income-working household. Many of these households will not have been social tenants or on a waiting list.

Why do households move?

Work-related reasons hardly feature at all in the main reason for moving. Even among long distance moves (50 miles or more) both in and out of London the reason for wanting to move is associated with health or family concerns.

The main reason for households wanting to move, are household and particularly housing-related. Even neighbourhood and locational issues are low down on household lists. The most common reasons are the need for independent accommodation, health, homelessness and particularly overcrowding.
Tenants’ choice is constrained by what they are offered, with most based on professional assessments of need in the face of overwhelming pressure on available resources. The moves made are not necessarily what tenants would choose themselves if they had greater choice.

**Conclusions**

- The research suggests that households in the RSL sector in London are clearly less mobile than those in the rest of the country. The RSL sector, (and the rest of the social sector) concentrates on professionally assessed housing need rather helping those looking for job-related moves.

- The geography of social sector housing opportunity remains far more constrained than for those in the private sector. In particular the social sector inherently concentrates on housing need rather than helping those looking for job-related moves. Mobility across district and London boundaries can only be achieved by increasing the choices available to tenants.

**Implications**

- This research confirms findings of previous research and analysis of social housing tenants’ attitudes and reasons for moving in that most moves are very local and not made for employment reasons.

- The evidence concerning overcrowded households moving to larger accommodation highlights the level of existing overcrowding in the social sector in London. Any proposal to pilot a Standard Local Housing Allowance (SLHA) in the social sector will need to be mindful of the impact of this level of overcrowding on the rate of SLHA paid. Although it could be argued that a SLHA (based on household size) compensates households for their overcrowded conditions.

- It is very difficult to estimate the scale of overcrowding in the LA sector (there is no equivalent of CORE). This could cause distortions in attempts to estimate the cost of a social sector scheme.

- A social sector SLHA pilot in London seems to have little chance of testing tenants’ ability to shop around until the extreme housing pressures in London are eased, some element of choice introduced into allocations and larger accommodation is available to tenants, particularly in inner London.
4 Housing Benefit as an in-work benefit

Housing Benefit (HB) should act as a work incentive as it is an in-work benefit and serves to ease the transition into employment. This literature review covers reports looking at the implementation and operation of HB as an in-work benefit. It also deals with the impact of HB on claimants. It is important to explore research that looks at whether payment of HB as an in-work benefit affects the behaviour and the decisions of the potential claimants about work prior to their decision to return to work. HB as an in-work benefit should act as a financial bridge between leaving out-of-work benefits and the receipt of the first wages.

The literature review looks at the ways in which HB serves as an incentive for people out of work and receiving benefits to seek and take up employment. Although customers know that HB exists, it is clear that they do not know how the system works and that HB is also an in-work benefit. For HB to act as an incentive to work, it is essential for those seeking work to understand the availability of the benefit as an in-work benefit. They also need to understand in what way HB can contribute to their income so that they can regard it as an incentive.

Those receiving HB show reluctance to be ‘gainfully’ employed. This is because they think they will be financially worse-off or because of the presumed difficulties in making a claim when their circumstances change.

Customers not in work and claiming HB generally have little knowledge of being able to receive HB in work. And that is one of the main problems in regards to HB acting as a work incentive by being an in-work benefit. Customers who are in work and claiming appear to be aware of HB as an in-work benefit. But they are often confused how HB operates and they generally show a limited understanding of the relationship between earnings and HB.

Barriers to claiming in-work HB also include reporting changes in circumstances, the perceived security of receiving benefits, the perceived inaccuracy of better-off calculations and administrative delays.
4.1 Moving into Work: Bridging Housing Costs.
Evaluation of the Housing Benefit/Council Tax Benefit Extended Payments and Fast-track Incentive Schemes

1998

This report examines the implementation and operation of the Housing Benefit/Council Tax Extended Payments and Fast-track Incentive Schemes and their impacts on claimants. In order to simplify the movement into employment, these schemes were designed as incentives. Claimants’ HB and Council Tax Benefit (CTB) are paid for the first four weeks following a return to work (Extended Payments), and the successive payment of any in-work claim for these benefits is ‘seamless’ (the Fast-track Incentive Scheme). The key objectives of this research were to examine the implementation and operation of the schemes and to explore the impact of the Extended Payments Scheme on claimants.

Key findings

• The Extended Payments Scheme was considered by both claimants and staff to facilitate the transition from out-of-work benefits to work. It acted as a financial buffer without which some claimants said they would have had to reconsider their decision to return to work, or would have ended in rent arrears.

• However, the scheme did not influence claimants’ decisions or behaviour ‘prior to’ accepting a job or increasing their working hours.

• Local authorities (LAs) did not report any difficulties in processing fast-tracked claims within the target limits.

• The implementation and ongoing operation of the Extended Payments Scheme were hampered by a lack of publicity, and the staff training in the agencies which did not sufficiently raise staff awareness and knowledge. There was relatively little liaison between LAs, the Employment Services (ES) and the Benefits Agency (BA), with little shared ownership of the scheme.

• Nevertheless, respondents tended to have a straightforward transition from out-of-work benefits through Extended Payments to in-work benefits.

Key conclusions

• There is a relatively high degree of congruence between staff, claimant and eligible non-claimant accounts of the Extended Payments and Fast-track Incentive Schemes.

• Respondents generally saw Extended Payments as a work incentive, because it provided a financial bridge between leaving out-of-work benefits and the receipt of the first payslip. To the extent that the scheme was seen by staff, claimant and eligible non-claimant respondents as aiding the transition into work, it can be considered to have been a success.
• However, Extended Payments had little or no bearing on decisions made, or on behaviour, before the claimants had arranged job interviews or accepted offers of employment. This is mainly because claimants generally recall only being informed of the scheme for the first time when they signed-off. Although this is a qualitative study, it suggests that the dead-weight costs of the schemes are relatively high.

• The research also shows that there is a need for more co-ordination of the scheme at local level in order to secure increased publicity for, and staff training on, Extended Payments.

• There is little evidence from this study that the Fast-track Incentive Scheme was effective at incentivising LAs. This is mainly because some LAs appear to be able to process fast-tracked claims easily within the target time limits.

Policy implications
• Further staff training in the agencies.
• Increase profile of scheme/publicity.
• Better links between LAs, the ES and the BA.

4.2 Housing Benefit and Council Tax Benefit as in-work benefits; claimants and advisors’ knowledge, attitudes and experiences

2006

At present there is a low acceptance of HB and CTB among the employed. Therefore, those employed and entitled to HB/CTB are not benefiting from the in-work support available. Similarly, those receiving HB/CTB show reluctance to be ‘gainfully’ employed, either because they presume that they will be financially worse-off or because of the alleged difficulties in making a claim when their circumstances change.

BMRB (British Market Research Bureau) Social Research was commissioned by the Department for Work and Pensions (DWP) to conduct a qualitative research study examining the impact of HB/CTB rules and administration on claimants’ work incentives. The main aim of the research is to help identify future areas for improvements in HB/CTB policy and administration, which will influence the customers’ decision to enter work and strengthen incentives to work (within the HB/CTB scheme).
Key findings

Customers

- Customers generally found it difficult to recall how they were made aware of HB/CTB. When they were able to remember, Jobcentre Plus had a tendency to feature most prominently in customers’ recollections. Customers had also derived their knowledge from family and friends who had experience of the benefits system.

- Despite considering themselves aware of HB/CTB, in reality customers had a limited understanding of HB/CTB per se, or as an in-work benefit. Of the different claimant groups, lone parents were the best informed regarding HB/CTB as an in-work benefit.

- Customers not in work and claiming HB/CTB generally had little knowledge of being able to receive HB/CTB in work.

- Customers in work and claiming were clearly aware of HB/CTB as an in-work benefit, but there was some confusion as to how HB/CTB operated and they generally demonstrated limited understanding of the relationship between earnings and HB/CTB.

- Customers in work and eligible for HB/CTB but not claiming tended to be unaware that they could receive HB/CTB in work, although there were some exceptions.

Impact of HB/CTB on customers’ employment decisions

- When making decisions regarding movement into work, customers generally took into account the financial aspects of working and balanced income with the expenditure of working.

- While considering financial issues, it was unusual for customers to cite in-work HB/CTB as a factor in their employment decisions.

- There was also a range of non-financial factors that customers took into account when considering work. These included: the effect of working on future job opportunities, career development and self-esteem.

- HB/CTB had little impact on customers’ decisions to move into work, particularly after the above factors had been taken into consideration. This was primarily due to a lack of awareness of being able to receive HB/CTB in work.

- Awareness of extended payments was also very low, but in instances where customers were aware of extended payments they were also considered to be an incentive to move into work.

- Barriers to claiming in-work HB/CTB included reporting changes in circumstances, the perceived security of receiving benefits; the perceived inaccuracy of better-off calculations and also administrative delays.
Jobcentre Plus staff generally described having little knowledge about HB/CTB. This included a lack of awareness regarding both the earnings disregard and the taper rate. Lone Parent Advisers generally felt particularly knowledgeable about the system.

Staff felt that HB/CTB did not act as a work incentive as customers considered the HB/CTB application to be problematic, with processing delays being raised as a key issue.

Customers were afraid of losing the security of having their full rent and Council Tax paid, and staff therefore had experienced difficulties encouraging customers to move into work and claim in-work HB/CTB. Staff did consider extended payments to act as work incentives.

Jobcentre Plus staff

Jobcentre Plus staff generally described having little knowledge about HB/CTB. This included a lack of awareness regarding both the earnings disregard and the taper rate. However, Lone Parent Advisers generally felt particularly knowledgeable about the system.

Customers were generally of the impression that Jobcentre Plus staff were not able to advise them regarding HB/CTB as they lacked sufficient understanding of the system.

Staff felt that HB/CTB did not act as a work incentive as customers considered the HB/CTB application to be problematic, with processing delays being raised as a key issue. In this context, customers were afraid of losing the security of having their full rent and Council Tax paid, and staff therefore had experienced difficulties encouraging customers to move into work and claim in-work HB/CTB. However, staff did consider Extended Payments to act as work incentives.

Suggestions for improvements to the HB/CTB system largely centred on enhancing knowledge. It was widely felt that more publicity regarding HB/CTB as an in-work benefit would be beneficial as customer awareness was limited.

Local authority staff

All the LA staff considered the HB/CTB system to be complicated, for both staff and customers. As with Jobcentre Plus staff, the LA staff thought that extended payments could potentially act as a work incentive.

While it was generally recognised by LA staff that HB/CTB could act as a work incentive, there were a number of reasons as to why this was not the case. They included: the lack of customer awareness about in-work HB/CTB; the impact of HB/CTB rules (notably the impact of the taper rate, which was felt to act as a disincentive to movement into work); processing delays; perceptions about whether it was worth moving into work; and the perceived security of benefits.
Stakeholders

- Contextual research was carried out with three stakeholders: the National Housing Federation; the National Association of Citizens’ Advice Bureaux; and a Policy Analyst from the University of York.

- The aims of the contextual research were as follows:
  - to provide understanding as to how HB/CTB works in practice;
  - to consider whether HB/CTB operates (or could operate) as an in-work incentive; and
  - to help shape the substantive research by identifying key issues for discussion.

Key findings include:

- Main barriers to work

  Housing Benefit:
  
  - Limited earnings disregard and high taper rate meant that customers are little better off financially by moving into work.
  
  - They, therefore, remain claiming benefits, even if getting a job would be beneficial in the long term.
  
  - Customers also saw that taking up work could lead to additional costs, such as purchasing clothing for work and travel costs.
  
  - Reporting changes of circumstances in order to receive in-work HB/CTB was a huge burden for customers, and as such they might choose to remain on benefits.

- Social disadvantage:
  
  - Lack of skills.
  
  - Lack of motivation.
  
  - Lack of confidence to take up poorly paid work in the short term in order for it to lead to better paid work in the long term.

Key conclusions

- From the perceptions of customers, both in work and workless, LA staff and Jobcentre Plus advisers, the evidence for the incentivising effect of HB/CTB is extremely weak.

- It is clear that while customers are aware of the existence of HB/CTB, their understanding of how the benefits system works and the fact that they are payable to people who are in work is limited. Even customers who are in work and receiving HB/CTB lack detailed understanding of how HB/CTB interacts with their income from employment.
• There was no evidence to suggest that the availability of HB/CTB while in work had played a part in customers’ decisions to take a job. Customers felt that it might have acted as a work incentive had they been aware of it.

• In order for HB/CTB to act as an incentive to work it needs to be recognised by people who are seeking work that the benefit is both available and will make a significant contribution to their income. This does not happen in practice. The following would all assist with raising the profile of HB/CTB as an in-work benefit:
  – focused discussion with customers about the benefits available to them when in work;
  – Jobcentre Plus staff to receive greater training to discuss HB/CTB as an in-work benefit;
  – occasional ‘benefit surgeries’ located in Jobcentre Plus and LA offices that specifically focus on in-work benefits;
  – a guarantee to customers that in moving from benefits to work they would have immediate financial support by improving the mechanism of delivery so that there was a smooth transition from unemployment to being in work without any disruption in the payment of benefits.

Policy implications:

• Suggestions for improvements to the HB/CTB system largely centred on enhancing knowledge. It was widely felt that more publicity regarding HB/CTB as an in-work benefit would be beneficial as customer awareness was limited.

• Suggestions for improving the delivery of HB/CTB provided by LA staff largely echoed those given by Jobcentre Plus staff; there was a similar emphasis on enhancing knowledge surrounding HB/CTB as an in-work benefit. Suggestions for improvements included the promotion of HB/CTB as an in-work benefit; enhancing understanding among staff; and changing the taper rate.

4.3 Easing the transition to work

October 2002

The Government, as part of its Welfare to Work agenda, tried to develop a package of work incentive measures designed to increase the take-up of full-time work (paid employment of 16 hours or more per week) and ease the transition from benefit receipt into employment. The National Centre for Social Research (NatCen) was commissioned by the DWP to research the key components of a package of measures and in particular examine the transitional period which occurs when people move into employment from benefit receipt. The aim of the study was to evaluate the new Job Grant initiative within the broader context of the package of back-to-work measures.
The Job Grant was introduced in April 2001. It is a grant of £100 for clients who have made a continuous claim for any one of (or any combination of) Income Support (IS), Jobseeker’s Allowance (JSA), Incapacity Benefit (IB) and Severe Disablement Allowance (SDA) for 52 weeks or more.

**Key findings**
Issues critical in the transitional period:

- Household circumstances, most notably, whether or not the individual had dependent children or relatives willing to provide transitional financial support.
- The timing and delivery of the first wage and how this related to existing benefit payment cycles and the length of the ‘gap’ between the cessation of benefit and first wage.
- The timing and content of transitional support.
- The nature of existing debt and repayment schedules.
- Household cycles for bill payments.
- The availability of informal support (both financial, and ‘in kind’, i.e. through provision of shopping or clothes, the reduction or temporary cessation of rental payments) from family and friends.
- The ability to access formal sources of financial support such as credit arrangements or loans to bridge the gap.
- Existing confidence, or nervousness, around household budgeting.
- The extent to which new, unexpected expenditure related to the move into employment upset household budgets.
- The greatest disruption was described where people found their income and expenditure was unbalanced by disruption to household income cycles. This was most notable for those people who had been used to receiving a weekly or bi-monthly receipt of benefit but whose move into work necessitated a change to monthly income receipt; where gaps were created between existing income and wage earnings, or where the anticipated income from work was unpredictable. This refers both to unexpected or unforeseen shortfalls in wages as well as to problems with the receipt of transitional support such as Automated Housing Benefit Run-on (HBRO), also known as Extended Payment, or Lone Parent Run-on (LPRO) during the transition; and where there were unexpected, or unforeseen, costs associated with the move into work (including for example, the need to make major purchases or greater than expected travelling costs).
- Disruption was lessened where people: were able to rely on the stable household income from another source (for example, a partner’s wage, pension or compensation payments); were living rent free with family or friends; had few accrued debts and limited monthly outgoings as a result; or where they felt confident in their budgeting strategy and able to offset any short-term shortfalls in income through the use of savings or money set aside previously.
• The interlocking, and unpredictable, cycles of income and expenditure found during the transitional period demonstrate the importance of flexibility in providing the most effective transitional support to individuals moving into work.

• The transition from a predictable receipt of income whilst on benefit to an unpredictable wage in employment was a key concern to people during the run-up to their move into work, and also during their early weeks in new employment.

• Concerns relating to housing stability and the ability to pay household bills were key in accounting for anxiety about the transition.

• There was a level of confusion amongst staff and recipients about what the grant was intended to be used for.

• Both HBRO/Council Tax Benefit Run-on (CTBRO) and LPRO differed in awareness levels. Evidence suggests slightly greater levels of awareness of these benefits. In particular recipients were often familiar with HBRO and LPRO.

• The involvement of more than a single agency in the delivery of easements was commonly regarded by staff as a hindrance to the effective application of financial supports, particularly where such easements required multiple entries into different computer systems. Recipients who had experienced difficulties described their HBRO/CTBRO being stopped without warning and then a complex process of administration to restart it and apply for the lost income.

• There was widespread support for the Job Grant despite a limited awareness amongst recipients. On the whole the Job Grant was seen positively as the least stigmatising method of providing financial support and as a positive way to reward an individual’s move into paid work than other benefits.

• However, it had a very limited impact on people’s decision to return to employment due to low awareness levels. Job Grant helped to assist with a range of financial pressures including transport costs, clothing expenditure and childcare. In addition, the Job Grant was described as having a range of psychological, in addition to financial, effects. The Job Grant was described as increasing morale, self-confidence and confidence in financial planning.

• As the grant was generally unexpected it tended to be treated as a financial bonus rather than a key source of income during the transition.

• Timing was seen as the most critical issue in people’s evaluations of the Job Grant. Almost without exception recipients and staff felt that the effectiveness of the Job Grant could be improved if its delivery was more closely linked to the timing of the transitional period (in particular during the initial two weeks).

• The range of other easements which took the form of ‘run-ons’ (such as LPRO/CTBRO, etc) was greatly valued by staff and recipients and had higher recognition levels than the Job Grant. As with the Job Grant, the effectiveness of the ‘run-on’ measures was clearly affected where there was limited prior knowledge financial support available.
• Financial security was seen as critical to recipients of the back-to-work measures. Run-ons were highlighted as key means of providing confidence in financial security during the transition.

• There was the notion that a run-on would do exactly as described, providing financial security in the interim or transitional period, whilst grants were viewed more cautiously as a less dependable source of income.

• On numerous occasions the run-ons were credited with providing people with a safety net or financial cushion to attempt a return to employment. The evidence from this study demonstrates that, unlike the Job Grant, where people were aware of their eligibility for a run-on, there was a clear motivational impact. As seen above, most people were unaware of the Job Grant prior to deciding to move into work and, as a result its impact on motivating the move into employment was limited.

• In contrast, people described knowledge about run-on support making them more willing to seek work given that they knew they would be financially secure, and in the case of IB recipients, be able to return to benefits without excessive administrative complexity, if the need arose.

• People argued that the run-on package should be harmonised, by making all benefits run on for the same period of time (and should include an extension to passported benefit support such as free school meals and prescriptions). This was particularly crucial for those with dependants or medical conditions. On the whole, staff and former clients felt a period of transitional support of four weeks would generally be sufficient.

Key conclusions
• This research has demonstrated the importance of publicity around easement packages and the critical role of advisers in promoting these measures.

• Amongst those under 25 ineligible for measures such as Job Grant there was strong evidence that the lack of transitional support was impacting on the wider household where young people described being forced to rely more heavily on their parents during the transition.

• Overall, both positive and negative views were associated with the various forms of transitional support (grant compared to run-on). Yet, despite limited effectiveness in motivating the return to work (because of low awareness) there was clear evidence that the range of measures currently offered frequently provided much needed financial support during the early weeks after people moved into employment.
Policy implications

- Avoid problems concerning the receipt of transitional support such as HBRO or LPRO.

- Help people to calculate unexpected, or unforeseen costs associated with the move into work, e.g. greater than expected travelling costs.

- Disruption concerning the move into work can be lessened by compensation payments.

- Because of unpredictable cycles of income and expenditure during the transitional period the flexibility in providing the most effective transitional support to individuals moving into work.

- Publicity for Job Grant.

- Best would be just one (instead of several) agency involved in the delivery of easements/effective application of financial supports. In addition to this it is best when no multiple entries into different computer systems for such easements are needed.

- HBRO/CTBRO should not be stopped without warning and a complex process of administration to restart it and apply for the lost income should be avoided.

- Effectiveness of the Job Grant could be improved if its delivery was more closely linked to the timing of the transitional period (in particular during the initial two weeks).

- Knowledge about run-on support makes people more willing to seek work given if they are able to return to benefit without excessive administrative complexity.

- Run-on package could be harmonised by making all benefits run-on for the same period of time and it could also include an extension to passported benefit support such as free school meals and prescriptions.

- A period of transitional support of four weeks would generally be sufficient.

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4 Note that this research was undertaken in 2001, at the lowest point of LA processing performance, which affects many of the responses.

In addition it is important to note that the legacy and memory of the long processing times and performance problems has been around for a very longtime, for instance it is referred to in the social housing and worklessness research, some six years later.
5 Single Room Rent and the Private Rented Sector

5.1 Local Housing Allowance and the Private Rented Sector

The Local Housing Allowance (LHA) plays an important role with regard to the Private Rented Sector (PRS). LHA is designed for tenants in the deregulated PRS. It is meant to make it easier for tenants and landlords to find out in advance how much rent could be covered by Housing Benefit (HB). The LHA aims at increasing the choice for tenants, encouraging personal responsibility and reducing barriers to work.

The LHA is a method of calculating HB based on the household size and the area in which the customer lives. LHA ensures that tenants in similar circumstances living in the same area receive the same amount of financial aid in lieu of their housing costs and therefore, the LHA is fairer than HB. In most circumstances the tenant is paid LHA instead of the landlord. The tenant is allowed to retain any excess benefit of up to £15 per week which is over and above the cost of the rent. In case the rent exceeds the LHA entitlement, the tenants must undertake the payment of the excess amount from other sources of income.

The core goals of LHA are to encourage a fairer and simpler system, enhance work-related rewards and encourage personal responsibility.

In 2003/04 LHA was introduced in nine pathfinder authorities and was subject to extensive and independent evaluation. In 2005 another nine authorities implemented the scheme in order to assess the readiness of the scheme. The decisive factor used for determining the suitable size of the property for a household has been simplified and is based on entitlement to number of bedrooms instead of number of bedrooms as well as living rooms as in the case of the Pathfinder scheme. It ensures easy application of the criteria and to understand and better reflect the way in which the properties are advertised in the private market.
The LHA rates are set over Broad Rental Market Areas (BRMAs). To reflect the generality of the market, each area needs to be large and at the same time permit access to facilities for shopping, banking, health, recreation and education. Setting very small areas could show fluctuations and increase the rates in some parts while reducing them in other areas. In case of smaller areas, the result could be ghettos.

It is important to consider several aspects of PRS with respect to HB, such as, do LHA claimants experience any shortfalls or how does the rent collection work. In addition, the functioning of the HB service under the LHA regime, potential fraud and possible unwillingness from landlords and letting agents to let to LHA claimants are also concerns that need to be considered. Looking at the PRS with regard to HB, one intention of the LHA is to speed up the processing times of HB claims.

This change could result in a marked impact on the willingness to let to tenants in receipt of the benefit. One of the aims of LHA is to offer a wide range of choices to claimants and enable them to make decisions about their accommodation in the same way as tenants who are renting but not in receipt of HB.

### 5.2 Single Room Rent

The Single Room Rent (SRR) is a feature of the HB scheme that aims to restrict the amount paid to single, under-25 year olds to the local average price of shared accommodation. The aim is to avoid creating a disincentive to work by ensuring that a young person on HB is not able to afford better housing than their non-claiming peers by virtue of being on benefit.

As an effort to control the growth of HB spending on rents for housing in the PRS, the SRR was introduced in 1996. A reason cited in support of the policy was the desirability of providing incentives for single childless under-25 year olds to remain in the parental home. In July 2001, the Government responded to concerns about the SRR by extending its field of activity to include a shared living room. This was because the Government wanted to reflect, more adequately, the cost of shared accommodation.

The private sector rented accommodation has become increasingly unavailable to under-25 year old HB claimants since the introduction of the SRR. The SRR restriction could be a contributor to the difficulties which young HB claimants are faced with in obtaining housing in the private rented sector. The restrictions that the SRR places on young claimants’ ability to access private rented housing is preventing many from finding any PRS accommodation within their financial resources.
5.3 Local Housing Allowance Pathfinder Evaluation – Summary of evaluation reports

2003-2006

As part of the Government’s agenda for the overall reform of HB, the LHA was piloted in nine Pathfinder areas for tenants in the deregulated PRS. The Pathfinder areas were Edinburgh, Leeds, North East Lincolnshire, Blackpool, Conwy, Coventry, Lewisham, Teignbridge, Brighton and Hove and were evaluated over the full Pathfinder period between autumn 2003 and summer 2006.

This summary of evaluation reports throws light on how the introduction of LHA was processed in the pathfinders and gives an idea how successful this implementation of the LHA in the PRS was and what can be improved. The LHA is, possibly, the most drastic change to the HB system since its introduction. It provided assistance to tenants in the private rented sector in the Pathfinders. The payments of the allowance relating to local rent levels for properties adequate for the size of the claimant’s household.

• The key objectives of the LHA are:

  Fairness – by paying the same amount to tenants with similar circumstances living in the same area.

  Choice – by allowing tenants to trade between the quality and price of their accommodation.

  Transparency – by making it easier for tenants and landlords to find out in advance how much rent could be covered by HB.

  Personal responsibility: The intention is that paying the allowance to the claimant will encourage them to take responsibility for their budgeting and paying their rent themselves.

  Increased work incentives: Greater certainty about what in-work benefit they could receive is expected to help claimants bridge the gap between being out of work and taking a job.

  Simplicity: There would no longer be a need for the complex rent restrictions and individual referral of rents to rent officers that currently contributes to delays in processing claims by private tenants.

• The Pathfinder areas represented a good mix of areas where private deregulated cases represent a more or less significant proportion of the total HB caseload in the local authority (in 2001).

• The intention with the LHA scheme is that the allowance would be paid to claimants in the majority of cases.
• Before LHA was introduced most landlords and letting agents were letting to HB tenants but more than half of them preferred not to let to people receiving HB. The reasons for this preference were related to problems that were perceived or had been experienced with the existing HB system.

• Six months after the implementation all the Pathfinders had put in place arrangements for ensuring that claimants (and others on their behalf) can request that payment be made to the landlord.

• There had been an increase since the introduction of LHA in the number of claimants who were required to pay a deposit.

• Claimants in the Pathfinders were more likely to have had an excess between their LHA entitlement and rent than a shortfall.

• The percentage of claimants experiencing a shortfall and the average shortfall amount had fallen in Pathfinder areas, after the introduction of the LHA.

• In the early stages of the LHA fewer corporate and individual/couple landlords were letting to LHA tenants.

• Fewest problems with rent collection were reported when payments were made from the LA to the landlord or letting agent.

The position within the Pathfinders 15 months after the introduction of the LHA:

• Arrears were not the main reason for making payments to landlords, and non-payment of rent did not appear to be a problem affecting a large number of claimants and their landlords.

• The operation of the HB service under the LHA regime was being delivered successfully in the great majority of cases.

• The impact of the LHA on Discretionary Housing Payments (DHPs) claims varied across authorities.

• LHA substantially increased average eligible rent and HB payment amounts.

• Claimants appeared to be increasingly occupying accommodation appropriate to their LHA room entitlement.

Position within the Pathfinders after the full two years of running the LHA:

• The LHA did not result in significant levels of new types of fraud or higher levels of fraud.

• The demand for DHPs appeared to have fallen somewhat as a direct result of the LHA.

• An advantage of the LHA is the way in which it can be used by LAs to procure accommodation in the PRS to house homeless households.

• Arrears were inevitably a more important issue under the LHA, given the much greater proportion of claimants who receive their entitlement direct.
• Dealing with cases of claimant vulnerability added a new dimension to the delivery of HB for the service.

• The principal reasons given for the refusal to let to someone on HB/LHA related to non-payment of rent and included experience of rent arrears amongst this tenant type, fears that the tenant may receive the benefit but then not pay the rent and the switch away from direct payment to the landlord.

• The HB dominant markets showed the most notable change between the baseline and final surveys, with the landlords and letting agents from these Pathfinders expressing the greatest increase in disinclination to let to LHA tenants.

• Both the wider market operators and the benefit landlords reported similar problems with the HB system, and noted long delays whilst the initial application was being processed, and overpayments.

• Where tenants were deemed vulnerable, payments would be made directly from the LA to the landlord or letting agent.

• With regard to the wider commercial market, there remained a widespread unwillingness to let to LHA claimants.

• For landlords and agents operating more squarely in the benefit market, the LHA had little positive impact.

• The LHA was more likely to influence rent setting decisions for benefit landlords, since traditionally they have tended to set rents at, or close to, the benefit levels payable.

The housing and labour market impacts of the LHA:

• In comparison with other tenures, the PRS in each area tended to include a higher proportion of smaller dwellings, and to accommodate smaller and younger households.

• Against the wider local labour market position, households in the PRS were less likely to be economically active.

• The number of claimants in the PRS in the LHA Pathfinder areas grew over the evaluation period, in line with a similar level of growth in PRS claimant numbers across the rest of the country under the mainstream HB regime.

• Over the two-year evaluation period there was a modest tendency for contractual rents to converge towards the LHA levels. This tendency was strongest in the HB dominant markets.
5.4 Research into the Single Room Rent regulations

June 2005

IRIS Consulting in association with Dundee University were commissioned in August 2003 by the DWP to evaluate the effects of the changes to the SRR, HB regulations that were introduced in July 2001.

The main aims of the research were to evaluate: the impact of the SRR regulations on the claimants; their accommodation related choices; the effects that the July 2001 regulations have had on shortfalls between contractual and determined rents; and how the July 2001 regulations have influenced landlord behaviour and letting strategies.

Key findings

- The report examines the trends around the time of the reform in the type of accommodation occupied by SRR HB claimants, SRR levels, rent levels and shortfalls.
- The main objective of this analysis is to assess whether the reform achieved its aim of helping single childless people aged under-25 years access accommodation in the PRS and whether financial hardship among SRR HB claimants has, to some extent, been alleviated.
- They carried out analysis of HB referrals to the Rent Officer between 2000 Quarter 2 and 2002 Quarter 1. At the time of the analysis, this was the most recent referrals data available from the Rent Service. Since the reform took effect from the beginning of the third quarter in 2001 rather than midway through a quarter, a comparison of 2001 Q2 and 2001 Q3 is of particular interest. However, as will be demonstrated, the full impact of the reform was not felt until the fourth quarter of 2001.
- It has been estimated that after removing the effect of background market forces, referred rents rose as a result of the reform by around £3.50 per week (4.8 per cent increase) and mean SRR by around £2.50 (5.4 per cent increase). The reform served, somewhat perversely, to marginally increase shortfalls between contractual and eligible rent among SRR claimants. However, these impacts are small and it is difficult to conclude that the July 2001 reform has had more than a marginal impact on access to accommodation, referred rents, SRR levels and shortfalls.
- Nearly 87 per cent of SRR claimants faced a shortfall in the first quarter of 2002, including nearly 70 per cent of those living in accommodation that meets the post-July 2001 SRR definition, compared to only 56 per cent of those not subject to the SRR regulation. The mean shortfall faced by SRR claimants in the first quarter of 2002 was £35.14 per week, more than double the £16.34 faced by non-SRR HB claimants. However, among SRR claimants who live in accommodation that meets the post-reform definition, the mean shortfall was £18.10, only slightly greater than that among non-SRR claimants.
• The proportion of SRR claimants who live in accommodation that meets the SRR definition continues on a downward trend that was present prior to the July 2001 reform. Since the beginning of 2001, the majority of SRR claims have been for self-contained dwellings.

Rent and SRR levels
• First, a higher proportion of claimants living in accommodation with shared use of living and second, landlords might raise rents in response to the more generous regime. Similarly, we might expect the average SRR determined by Rent Officers based on ‘market evidence’ to increase since accommodation with additional housing space was included in the calculation of the SRR since 1 July 2001. There were small rises in both the SRR and contractual rents referred by SRR claimants in the two quarters following the reform.

• Mean SRR rose in the period immediately after the reform from £43.69 per week in 2001 Q2 to £46.26 in 2001 Q3 and stabilised at just under £49 per week by the end of 2001. Hence, the July 2001 reform appeared to take a few months to feed through to higher SRRs rather than instantaneously, which might have been expected (they understand that this was due to time lags in local authorities implementing the revised system).

• This implies that the reform was responsible for at least some of the rise in referred rents for a given type of accommodation, possibly as a result of landlords exploiting the more generous HB regime by raising asking rents. Earlier research into the PRS has indicated that some landlords attempt to influence the level of SRR determinations by charging at, or above, the current SRR.

• An important caveat with drawing conclusions based on the changing levels of referred rent and SRR around the time of the 2001 reform, is that the magnitude of changes induced by other factors, principally the relative availability of SRR-eligible accommodation, is unknown. However, it is possible to make inferences about what may have happened to referred rent and SRR levels in the absence of the reform based on what happened over the same period in the rest of the PRS.

• Changes in the Local Reference Rent (LRR) can give an indication of what may have happened to SRR levels in the absence of the July 2001 reform. Similarly, changes in referred rent among non-SRR cases can be compared against changes in referred rent among SRR cases.

• The increases in SRR and referred rent among SRR cases may, in part, be the result of market forces. However, the percentage increases between the second and fourth quarters of 2001 among SRR cases are markedly greater than those among non-SRR cases.

• The authors’ estimations assume that market forces act symmetrically in all subsectors within the PRS, i.e. that the rates of change in rents in the SRR and non-SRR sectors are the same.
Their data suggests that both SRRs and rents referred by SRR claimants have indeed increased as a result of the July 2001 reform. Although some of the increase in referred rent is the result of increased uptake of self-contained accommodation, this explanation cannot account for the increase in the mean SRR (which is not affected by changes in the property-type composition) or the increase in rents referred by SRR claimants for non-self-contained rooms.

The effects on work incentives

- Needs allowances: The needs allowances for HB are the same as the Income Support/Jobseeker’s Allowance (JSA) rates and represent a band of net income designed to cover the range of non-housing living costs described earlier in this report. The tapers do provide for some additional spending on non-housing costs (see below), but only to a very limited degree. A number of case study participants pointed out the role of the lower needs allowance in exacerbating the difficulties associated with the SRR. Some drew attention to the fact that this group is also excluded from the Working Tax Credit and that there is a lower statutory minimum wage for younger workers under 22 years of age.

- Tapers: Only 15p in the £ is permitted for spending on other items. Advisers in one area (Midland city) commented that, the wages realistically on offer for this group are typically at the minimum wage and ‘people don’t want to see their earnings going mostly on accommodation’.

- Work expenses: An earnings disregard is included in the HB calculation to mitigate the effect of work expenses. This is uprated infrequently, on an ad hoc basis, and for some years has stood at £5.00 per week for single claimants. This may well leave a claimant with an income below JSA level after work expenses and housing costs have been accounted for.

- Non-dependant deductions: These are deductions from eligible rent made to reflect the assumed contributions of non-dependants, such as grown-up children and elderly relatives. They need not detain us too long in the context of this report, as HB claimants are by definition not themselves non-dependants, while young claimants who have non-dependants living with them are not subject to the SRR. There is a connection in that a non-dependent grown-up child who gets a job will trigger a significant reduction in their parents’ HB and CTB. Some case study participants mentioned that this may lead to pressure not to take up a job, or to leave the parental home, seeing it as inconsistent with the policy objectives both of promoting job-seeking and of encouraging young people to stay in the parental home.

- Administrative problems: Several claimants, landlords and advisers in these case studies were critical of the administration of HB locally, reporting delays, arrears and consequent friction between landlord and tenant.
• Awareness of potential eligibility: Welfare rights advisers have long reported that many claimants, employed or unemployed, seem to be unaware of the existence of in-work HB. With the exception of some members of one of the focus groups (Welsh rural/coastal authority) the case study participants believed, wrongly, that HB was not payable to people in full-time work. This general misapprehension is encouraged by the combination of lower needs allowances, restricted eligible rents and the steep taper – which do indeed cause HB to taper out very rapidly for all but the very low paid. Given that most of their claimants almost certainly would be very low paid if in work – and are not eligible for Working Tax Credit – it is both interesting and a cause for concern that they were not aware of the possibility of in-work HB.

Key conclusions
• Fewer claimants will live in accommodation that meets the SRR criteria and are, therefore, likely to face increasing shortfalls between contractual and eligible rent. This represents a substantial challenge for the long-term practicability of the SRR policy.

• Claimants’ requirements for taking up a job were largely wage-related – sufficient to cover the rent, other essential costs and work expenses, while still leaving enough over for employment to make a difference to their living standards.

• Some also said that the quality of the job was a consideration.

• Some young claimants were looking at the possibility of part-time courses and needed advice on how this might affect their benefits. They felt they needed improved qualifications in order to compete for better-paid jobs. Several claimants in their case studies referred to their desire to ‘better themselves’. Some suggested (south Midlands town) that part-time work was preferable to full-time, so that it could be combined with college.

• The view that living in temporary housing situations are likely to make job-seeking (and participation in education and training) more difficult was common.

• A low net gain from work can be seen as a work disincentive although, again, not caused by the eligible rent.

• One of their housing strategy interviewees commented that the relevance of the eligible rent here was in helping to determine the income range over which the taper disincentive operated.
5.5 Housing Benefit simplification in the Private Rented Sector

December 2002

The DWP commissioned this study to publicise the options for the simplification of the various PRS HB schemes currently in operation. The study also assessed the potential implications of major long-term reform of HB through the introduction of LRRs.

Claimants may be liable to different rules and restrictions depending on when they made their application for HB. Due to the complexity of these ‘parallel HB schemes’, administrative difficulties for local authorities, confusion for claimants and landlords, and an increase in the chance of delays and errors taking place in the processing of claims could be encountered. Apart from the complexity of the system, factors such as variable levels of investment and management controls, lack of strategic priority and difficulties in recruiting and retaining staff further affect the administration of HB. The objective of this research is to evaluate current practices, develop, factor in and test-out options with regard to the simplification of HB.

Key findings

• Parallel HB schemes did cause administrative problems for the LAs their key concerns were of a more general nature and related to the increasing emphasis on targets, the continued impact of the Verification Framework, perceived increased workloads with seemingly diminishing, or static, levels of resources and insufficiently experienced assessors.

• Concerns that were more directly related to the parallel HB schemes included LA HB IT systems, which do not support benefit claims that operate under the parallel schemes, and Department of Social Security (DSS)/ DWP circulars which were considered to be variously interpreted, particularly over time and by different assessors, such that benefit claims operating under the parallel schemes could be subject to considerable inconsistency. Inadequate training of benefit assessors and the high turnover of benefit processing staff in some areas were contributory factors.

• Landlords were largely unaware of the existence of the parallel schemes although there may be some recognition that the level of HB paid may vary for seemingly similar tenants living in identical properties. For landlords the key issues were: delays in HB payment, the clawing back of overpayments and a perceived unequal partner in a three-way relationship.

• Tenants too were largely unaware of the parallel HB schemes. For them the prime difficulties with HB were making up any potential shortfall between the rent payable and the level of HB paid and the impact of delays in payment. Such problems are partially due to the additional complexities that are introduced as a consequence of the parallel HB schemes.
• At the time of the research the current thinking around the long-term simplification of HB is based on the introduction of a Standard Local Rate (SLR), based upon different property size criteria, with two potential options. In the first option the SLR is based on the LRR plus the ability of claimants to ‘keep the difference’ between the amount payable through HB and the amount they pay for their rent, should the latter be lower than the LRR. In the second option the SLR is based on the LRR but does not allow claimants to keep any difference. The SLR based on the LRR plus ‘keep the difference’ has a ‘shopping incentive’ objective, whereby tenants may have incentives to increase their after-housing-cost income by finding accommodation at a rent below the SLR.

• The SLR will still be based upon different property size criteria. Thus, there will be different SLRs for a room in a shared house, a one room house, two room house, three room house, four room house, five room house, six rooms or more. The SLR will also involve the removal of Rent Officer determinations such as whether rents are significantly high or exceptionally high.

• Advantages of the SLR approach, per se, were felt to be: the ease of administration, greater transparency and consistency, and ease of communications.

• The potential disadvantages were considered to be the difficulties in setting a realistic level for the SLR and additional complexities arising out of the need to protect the incomes of the vulnerable and the most recently unemployed.

• Key to the operation of any simplified LRR-based system of HB is how the LRR is set. If the LRR is set high then there will be an influx of landlords into the market and the overall HB expenditure will increase. If the LRR is set too low, landlords will continue to move out of the HB market, tenants will continue to deceive landlords about their HB status, and the number of appeals and applications for hardship payments will increase.

• Practical issues that would need to be considered include how the LRR localities would be defined and the frequency of review such that the LRR is kept in step with the overall housing market.

• The variant of the SLR that provides the possibility for tenants to ‘keep the difference’ introduces the notion of a shopping incentive and allows tenants to keep any small gain (probably around £5 – £10) that they make.

• While some tenants welcomed such an approach there was a general view amongst all parties participating in the research that such a scenario would be unlikely to occur.

**Key conclusions**

• Although there is some confusion as to why similar tenants living in similar properties receive different amounts of HB, overall this is not a particularly important issue for either landlords or tenants. In their opinion there are more pertinent issues that need to be considered with regard to the administration of HB. These are:
– delays in HB payment;
– the clawing back of overpayments from landlords, where HB is paid direct;
– the lack of an HB-related deposit scheme;
– payment of rent through HB in arrears; and from the landlords’ perspective being an unequal partner in a three-way relationship; and
– an LRR, which is perceived by landlords to be significantly below their aspirations of market values, particularly in the high demand areas.

• Although a number of these problems may be related to the existence of parallel HB schemes this is not generally recognised by either landlords or tenants due to a lack of understanding about the means by which HB is calculated.

• For LA, the parallel HB schemes add to the complexity of the administrative process. Due to the lack of available IT to deal with them, assessors have adopted various methods of coping. However, they are prone to increased error and reduce processing efficiency.

• From the LA perspective there was support for the simplification of HB as this would help to reduce the complexity of the processing task.

• The options for major change and reform of the HB system, which involve the introduction of SLR, may not be without problems:
  – potential ‘ethical’ issues with regard to the possibility that tenants may be able to make a small financial gain from HB if their rent is below the HB they would receive from an SLR;
  – the difficulty in basing an SLR upon an LRR that will not over-stimulate the HB market if set too high, nor, if set too low, reduce the market further and result in an increase in appeals and applications for hardship payments; and
  – transitional arrangements that ensure that existing tenants do not lose out financially and will also not introduce further administrative complexities.

Policy implications
• It is the policy intent that no existing HB claimants will lose out through the simplification of HB. The research findings suggest that any process of major change should require effective transitional arrangements. Possibilities include:
  – moving all tenants on the parallel HB schemes to a simplified form of HB and making a one-off compensation payment;
  – bringing tenants into line at the next time of renewal of either HB or the tenancy agreement;
  – retaining the existing parallel schemes until such a time that the level of benefit paid matches that of the new simplified scheme, at which time the tenant would transfer to the new arrangement.
• The research indicates that simplifying the parallel schemes could provide some reduction in the administrative burden for LAs and result in fewer complaints from landlords and tenants.

• Changes that would improve the processing and administration of HB administration include: using call centre technology to deal with HB renewals and applications from low-risk groups, lengthening the HB review periods and allowing greater involvement of selected landlords in some aspects of the administration process.
6 Management and performance

To ensure value for money, it is necessary to look into the management and performance of the Housing Benefit (HB) system. Tackling fraud and error appropriately plays a major role in this respect. Concepts for preventing error and for increasing compliance are closely associated and are based around the wider Department for Work and Pensions (DWP) objectives which are to simplify benefits and increase people’s understanding of benefit guidelines. With respect to fraud and error, reporting changes in circumstances of benefit claimants and understanding their behaviour and experiences due to changes in their lives need to be considered.

In addition, the management styles and characteristics of local HB managers are also important when considering the management and performance of the HB system. This literature review provides an insight into the characteristics considered vital in ensuring high performance within the HB service context. The characteristics of good managers are important as they may help to explain good HB administration performance.

The experience of local authorities (LA) in outsourcing HB and CTB also needs to be taken into account when considering the performance and the management of the HB system. It is important to understand the impact and effects of outsourcing HB and CTB. This literature review explores competitive tendering and the management of HB and CTB administration. The administration of HB and CTB represents a significant proportion of expenditure within Financial Services or Housing Management Services (HMS) for those local authorities which are responsible for this field of duty. The authorities have frequently identified the administration of HB and CTB as an area suitable for competitive tendering because of its several duties, the distinct nature of the work involved and the existence of an external market.
6.1 Reporting changes in circumstances: Tackling error in the benefit system

June 2008

This report outlines the result of the qualitative research project which explores claimants’ knowledge and understanding in regard to changes in circumstances and obligations to report them. Since 1997, successive Governments have put in place a number of policies to minimise the amount of money lost to the social security budget through fraud and error.

According to the official statistics, these policies have reduced the percentage of benefit payments lost to fraud consistently over the last ten years. In contrast, losses due to error (including official and claimant error) have risen and, for the first time, in 2006 they exceeded the losses due to fraud. Therefore, the reduction of error has become an essential policy objective.

The overall aim of this project was to increase the understanding of claimants in regards to reporting changes in their lives and thus, inform policy development which would lead to increased timely and accurate reporting of relevant changes in circumstances.

Key findings

• There was a wide variety of knowledge among the people in the study group about benefits and their reporting responsibilities. Four levels of understanding were identified:
  – a general understanding of the responsibility to report changes;
  – a broader understanding of the types of change that should be reported;
  – a deeper understanding of the details that need reporting;
  – knowledge of the effect of changes on levels of benefit.

• They found many examples of confusion and incomplete or inaccurate knowledge that affected whether people reported changes.

• People in the study referred to a range of ways in which they received information about benefits and reporting changes in circumstances. These included:
  – written information (mainly through official letters and leaflets);
  – verbal information (from benefit staff, advice agencies and others);
  – media (newspapers, television and radio).

• There were also examples of information and understanding being received by word-of-mouth from friends and family who had experience of the benefit system. The variation in scope and accuracy of knowledge and awareness of sources of information, suggest that not everyone was able, or inclined, to access and make use of this information in its current format.
A range of factors was identified that influenced the reporting behaviour of people in the study group. These could be grouped into three broad categories, each of which contains further sub-categories:

- knowledge and understanding about reporting changes in circumstances:
  - knowing that change in a ‘circumstance’ is reportable;
  - conceptualisation of ‘change’;
  - perceptions of the effect on benefits;
- understanding and experiences of the benefit system:
  - understanding of the benefit rules;
  - perceptions of structural linkages;
  - system ‘triggers’ (such as medical reviews);
  - previous experiences of benefit administration;
- contextual factors:
  - personal circumstances surrounding the change;
  - anticipated responses of others.

Knowledge or perceptions of benefit rules and the way that changes in circumstances could affect benefit entitlement, could also lead people to delay or decide not to report changes. This behaviour could be driven by people’s anxieties that reporting a change could lead to a reduction or termination of a benefit or cause them unwanted ‘hassle’.

The principal problems for people in reporting changes stemmed from not knowing what information to provide about a change and not understanding the requirement to report changes as soon as they had happened. People in the study group also reported delays in processing changes that led to hardship and mistakes made by benefit staff which could lead to overpayments or hardship.

There were also less tangible effects of reporting changes, such as worry, stress, anxiety and confusion that made the experience of receiving benefits an unwelcome negative experience.

Key conclusions

- The principal reasons why people in the study group did not report changes in circumstances were grouped into three categories:
  - knowledge deficits;
  - avoidance behaviour;
  - deliberate withholding.
• Knowledge deficits cover the incomplete or inaccurate knowledge of the following – what changes should be reported, when changes should be reported, to whom changes should be reported, the eligibility rules of the benefits being received, and links between benefit authorities and other relevant organisations.

• Avoidance behaviour occurred when claimants recognised a change in their circumstances but did not report it in order to avoid a perceived negative consequence (either substantive, where people feared a possible reduction in their benefit, and/or a disruption to benefit payments or procedural when they were seeking to avoid confusing or stressful contact with benefit authorities).

• Deliberate withholding of information about changes in circumstances was a particular form of avoidance behaviour. However, there is a distinction between people who were anxious about what might happen if they reported a change and those who were more certain of the consequences.

Policy implications

• Policy implications were divided between administrative and structural options.

• Administrative options included increasing people’s knowledge of reporting changes by:
  – clearer information about what changes need to be reported (using Plain English and concrete examples);
  – clearer information about benefit eligibility criteria and how benefits are calculated;
  – information provided through a variety of channels and media (including written, radio and television);
  – information provided verbally by benefit staff (reinforcing the message about reporting changes in face-to-face meetings);
  – information provided verbally by trusted third parties;
  – more personalised information and information repeated at appropriately frequent intervals (to keep knowledge updated).

• They suggest that in attempting to educate claimants further, a focus might usefully be placed on increasing knowledge about the types of change that need reporting and that personalised information is more likely to have resonance with people compared with general information or publicity.

• Benefit authorities could also explore ways of anticipating changes by the transfer of relevant information between benefit authorities and other organisations. Structural responses to reducing error include simplifying the benefits system by tackling complexity in the rules of benefits and/or by changing the reporting requirements placed on claimants.
6.2 Management styles and characteristics of local authority Housing Benefit managers

September 2004

This research project looks at the management styles and the characteristics of local authority HB managers. The project was designed to identify ‘hallmark’ management and leadership practices and skills employed by managers of high performing, or rapidly improving, HB services.

Although the scale of the study is limited, the results provide an initial insight into the considered characteristics required to ensure high performance within the HB service context. This research was proposed at a time when there were objections about the varying levels of performance achieved by LAs in delivering an HB service and when aspects of performance seemed to be deteriorating. The research emphasises the characteristics of good managers which may help explain good HB administration performance.

Key findings

- Well developed planning skills are vital within the service context, which is characterised by the case studies as subject to constant change within a stringent regulatory framework. The focus on good operational management skills appears to reflect the potential for performance downturn in the face of frequent change. Managers in their case studies are described as ‘on top of the detail’ and have good technical knowledge of legislation and regulation. These characteristics are seen as key to the forward planning that is demanded by the rate of change experienced by HB services.

- Being meticulous and having strong technical knowledge creates comfort not only for senior managers, who want to be assured that the service is in safe hands, but also for front-line staff; they know that their manager has a good grasp of the implications of changes and is able to provide advice and support.

- HB managers must be able to champion constructive change, and whilst the rate of externally driven change is sometimes questioned, internally driven change linked to performance improvement is greeted with enthusiasm. Characteristics such as desire and determination to succeed and openness to change and new ideas drive this enthusiasm.

- The case studies HB managers are typically described as focused on, and single minded about, the HB service. Whilst achieving the purpose of the service is paramount for our case studies’ managers, focusing on outputs such as the timely accurate provision of benefits plays a major part in realising wider outcomes-based visions for communities, such as income maximisation.
• Getting the job set right appears to be more important than the structure. Dedicated resources for business planning, IT and training are particularly valued by their case study managers. This support ensures service development, including bidding for additional funds and aids change management activities.

• The attitude towards, and skills in, managing IT implications are the dominant features of their HB managers and their staff. There is no correlation with any particular type of IT system, software or supplier, and all the case studies had experienced, or are soon to experience, major IT systems changes.

• Ensuring forward planning processes take account of the potential impact of changes to systems and dedicated IT support resources are critical factors.

• The ‘connecting’ skills that prevail in the case studies are encouraging team working and communications. Commitment to team work and an approachable, listening style are characteristic of the HB managers in the study. These characteristics are considered to engender a sense of stability that is of great importance in the context of frequent change.

• An interesting and perhaps somewhat novel finding from the study is how often humour is cited as an important characteristic for a successful HB manager.

• The role humour plays in achieving and maintaining good performance is supported by other research, which suggests humour helps communication efforts, improves morale and supports the development of staff cohesion. Humour features in emotional intelligence theories, which have gained popularity in management thinking and practice over the last decade.

• Securing the right resources to do the job, particularly staffing levels, and protecting those resources is a characteristic of their case studies. The role of the top team is particularly important in relation to resources, with many HB managers believing their role in directing the necessary resources towards the HB service, and in some cases protecting these resources from budget cuts, is one of the most significant factors for achieving and maintaining good performance.

• Investors in People (liP) status is an important feature of all their case studies and appears to reinforce the positive view of the benefits that can be obtained from the framework. All the case studies had attained liP, which is seen as providing an important framework for supporting and developing staff.

• Training for front-line staff is a priority for HB managers. As well as equipping staff to manage technical changes to working practices, it is seen as a vital change management tool, communicating the need for change and supporting staff coping with change. Access to dedicated internal training resources features in all but one of the case studies.
• In contrast, training amongst HB managers has a lower profile. This is linked to three main factors: Firstly, the majority of managers in the research have been in post for ten or more years. Finding time for training is also cited as an impediment. Finally, HB managers are valued for their dedication to and focus on HB; this may affect how far their own line managers prioritise exploring opportunities for career development.

• Flexible working practices feature strongly in the case studies. It is seen as an important retention tool. All operated flexi-time schemes, and six of the case studies operated a range of options, or were due to extend the range, four-day working and homeworking.

• The ability to control their service area is linked most closely by their case studies to good analytical skills, being single minded about the service and able to manage performance against indicators.

• Championing high performance and being skilled in managing performance, rather than simply measuring, against indicators are critical attributes.

• There is little criticism of operating in an externally driven performance indicator culture, and a performance management culture is a strong feature of their case studies.

• HB managers are described as having high expectations, being demanding and focused on achieving targets.

• Furthermore, HB managers and their staff actively value the fact their performance is often closely monitored corporately. This may reflect the fact that DWP performance indicators (PIs) are generally supported as being relevant and meaningful, and that performance monitoring serves to mirror the success of the teams.

• An area of divergence amongst the case studies is the attitude towards individual performance monitoring and team-based methods. Whilst some operated or were moving towards, individual based methods, some case studies believe the latter to be an old fashioned approach to raising performance.

**Key conclusions and implications**

• In common with developing any management training and development programme, the real challenge for organisations is to identify appropriate interventions that reflect the outcomes desired, based on evidence of existing strengths and weaknesses and what the organisation needs to achieve.

• The research indicates the prevailing culture of the case studies is one where change is well accepted and planned for, teams are eager to continuously improve and customer first principles operate. It appears that a subculture of traditional public sector values also exists, where employees stay with the business and are focused on the specific purpose of the service.
• The findings from their research indicate that the culture operating in their case studies is one where:
  – change is well accepted;
  – teams are eager to continuously improve;
  – ‘customer first’ principles operate;
  – forward planning happens.

• In the high performing case studies presented, Housing Benefit managers are characterised by their positive behavioural traits and ‘people management’ skills. These include good communications skills, being approachable and adopting a listening style with their people.

• It is accomplished team working that seems vital. Inspiring and supporting team spirit, encouraging the active involvement of teams in designing and delivering improvements is an important factor in delivering high performance.

• Emotional intelligence theories suggest that ingrained habits can drive behaviours – productively or not. Identifying and driving out unproductive habits (such as the blame culture or a suspicious view of HB claimants) delivers real benefits in terms of performance improvement. Moreover, it can transform how teams feel about themselves, promoting positive behaviours and a ‘feel-good’ factor.

• They found a real desire to achieve within a PI-driven environment. Performance indicators mirror their success and are relevant to what teams do and achieve. As such they act as a powerful ‘rallying point’ for HB managers and their teams to focus efforts on sustaining and building on their performance. As performance builds and stabilises, capacity extends to seek out ‘value adding’ activities.

• Their case studies show how successful HB managers are careful to listen to their staff, and to involve them in challenging how the work is done. This combined with other data on these managers’ readiness to accept change and to plan for it, suggest that they are highly adaptable.

• These findings conflict with the Hersey model, as the sustained high level of emotional support given was proclaimed as an important factor in the overall success of the HB department.

• There is evidence from these case studies that even in highly structured environments, such as LAs, people are enthused and motivated to perform at the higher levels when they share and subscribe to the personal values imparted by their managers and top team.

• Individual members of staff at middle management and lower levels tend to find it difficult relating to high level corporate values; instead, they are more likely to be ‘turned on’ by the examples and role model set by their direct line managers. This in turn manifests itself in terms such as ‘integrity’, ‘honesty’ and ‘trust’. In one of their case studies, these issues have been identified as the values most important to staff, who are regularly ‘polled’ on how the organisation ‘scores’ against such values.
6.3 Local authority experience in outsourcing Housing and Council Tax Benefits

2003

IRIS Consulting and Institute of Revenues, Rating and Valuation (IRRV) Solutions conducted a research on the impact and effects of outsourcing HB and CTB administration on behalf of the DWP. The report highlights the findings of this research project. The aims of the study were to enlist the lessons derived from LA experience to date, to draw out the policy messages and to produce a good practice guide.

Key findings

• Outsourcing of HB and CTB has worked well in some authorities and there are successful relationships involving packages of services. Overall, however, it has had a poor reputation because of some high profile ‘failures’ in recent years, especially in London. That has deterred many authorities from considering outsourcing as an option. There are still problems, but it is quite clear that outsourcing has moved on a long way since then.

• Authorities have re-insourced because of concerns over loss of control, contractor performance and a failure on the latter’s part either to provide expected investment or their perception that they had failed to meet corporate objectives.

• Successful schemes are generally those where authorities put time and resources into the pre-tender stage, have not given up when difficulties have arisen, have been prepared to renegotiate and where both parties work together to find a solution to problems. Partnership is not just a concept: there has been a genuine desire to get the contract to work and, sometimes, for the authority to accept that it needs to put in more money.

• Now there is greater appreciation by LAs of the reasons why firms are reluctant to bid for benefits work on its own.

• One thing is quite clear above all others: the procurement process, the nature of the contract and way in which it is written and operated day-by-day are key to the success or failure of outsourcing. Sufficient resources need to be committed to the process, to scoping the services to be tendered, evaluating the bids and then into monitoring and managing the contract and in keeping the arrangement under review.
Underpinning philosophy and approach

• Even before the tender process has begun, agreement needs to be reached on why the service is being contracted out. The reasons need to be agreed by members and senior management. They should be related to the authority’s overall corporate objectives. They may be related to cost savings or service improvement but whatever they are they should be clearly identified and agreed as the drivers.

• The Chief Executive Officer and lead member must be involved from the outset, giving a lead on the policy and philosophy and selling the concept as a partnership to deliver better services.

• Outsourcing should not be seen as a purely commercial relationship in which the contractor is ‘under the cosh’ from day one. It should be based on ‘partnership’ and ‘team working’.

• Outsourcing should become a shared venture with problems being resolved without direct recourse to the precise terms of the contract. Outsourcing a benefits service is unlikely to be successful where the client and contractor do not work together to resolve problems and take the service forward at all levels.

• An authority’s approach to externalising services must be based on a desire to work with the provider on the basis of openness and trust.

Procurement strategy

• Much thought should be given at the highest level about the package of services to be offered to the market, both in terms of the authority’s corporate objectives and what is likely to enable the contractor to provide a high quality of service. For example, if all revenues and benefits services, all services involving welfare benefit calculations or all customer facing services are bundled together would it give the contractor greater flexibility and allow resources to be interchanged during peak periods and provide better value for money?

• Scoping the authority’s business areas and developing the right package of services to be tendered is critical. Repeating tender processes is resource intensive for an authority and may reduce the commercial viability of the contract to be negotiated (the response from the market may then be poor and unacceptable).

• Political involvement and support can be critical in ensuring that the right package of services is tendered.

• Authorities should be clear exactly what it is that they are offering for tender and be able to explain and quantify it to bidders.

• There is a need to communicate clearly to bidders what the authority’s objectives and motives are for outsourcing.
• Understanding the commercial viability of the service is key to ensuring effective procurement.

• The ‘partners’ should sit down together from time to time to review how it’s all working and whether the authority’s original objectives are still relevant and being met.

Procurement practice

• The procurement process needs to be given top priority and adequate resources provided for the duration of the process, buying-in external help as necessary. Resources should be considered carefully: second key staff from individual services to the procurement team at the outset. The tender specification and procurement process is probably best delivered centrally/corporately, sourcing staff for the knowledge of the service in addition to contract negotiation and contract management skills.

• Outsourcing should not be seen as a solution for solving a problem of a poor service per se.

• Failing services do not make better prospects for outsourcing than successful ones. Contracting a service out requires organisational change. That can be alleviated by preparing the service prior to being tendered, including: measuring performance information and volumes; introducing performance management frameworks; standardising work processes, etc.

• Calculating service volumes and costs accurately at the outset, discussing them thoroughly with bidders during the pre-tender process and ensuring that they are accurately reflected in Service Level Agreement(s) (SLAs) is vital.

• The organisational and management fit and structure of the contracting company needs to be considered during the procurement process preferably as part of the tender assessment process.

• The procurement process and bids should be evaluated using some formal approach like the Business Excellence Model.

• The risks to both sides need to be assessed and discussed openly, including an assessment of the effects of outsourcing on the deliverability of the service.

• Project management techniques could be used to good effect in running outsourced services, including the use of change management controls.

The contract

• The contract may benefit from the incorporation of a formal bedding-in period (somewhere between three and six months) followed by a review and any tweaking which needs to be done, including system changes.

• Effective contract documentation is important, including the SLAs incorporated in it, but needs to embody adequate flexibility.
• Care should be taken to ensure that the contract is tight but not too prescriptive so as to avoid claims and counterclaims from both sides.

• Timeframes need to be realistic but not set in concrete.

• The contract should not be wholly penalty driven, but should contain financial incentives to encourage the contractor to be innovative and to exceed the prescribed performance measures.

• There should be open dialogue about problems as soon as they appear in a ‘no blame’ environment where both parties sit down to resolve them without immediate recourse to the contract.

• Authorities must be prepared to review the contract and how it is working as the relationship develops and to invest in the service through the contractor. They cannot abdicate responsibility once it as been outsourced.

• On the other hand the contractor should not seize on every tiny change as a variation warranting more money.

**Claimants**

• All the parties should have regard to the basic raison d’être for the benefits service which is to provide support for the less privileged in society.

• Welfare rights groups and claimants have a positive part to play in improving the benefits service. They should be regularly consulted and involved in discussions with providers. In that way they will see for themselves what steps are being taken to rectify problems and to improve things and are more likely to be convinced that outsourcing can deliver better performance.

**Staffing Issues**

• It is essential to ensure continuity of staff on both sides at the commencement of the contract and during its currency. Existing local authority staff should be transferred to the contractor.

• The creation of a ‘them and us’ situation should be avoided by placing the client and contractor teams alongside one another to create a non-confrontational atmosphere of working together for the benefit of the service.

• Authorities should develop contract/project management skills within the authority better to manage the client function in a fair and non adversarial way for the success of outsourcing long-term.

• Contractors should ensure that there is continuity of site management.

• Authorities should be constantly benchmarking to see how they can improve performance in partnership with the contractor.
Adopting a change management approach

- Outsourcing requires intensive change management resources; the contractor should be allowed to get on and run the contract, but resources may need to be shared between the parties.

- The impact of change on an authority’s culture will be considerable. Where a strong performance management culture does not already exist, the impact of private sector business practices will be stronger. Even where only a small number of contractor’s staff are brought in to the new operation, the change in culture is likely to be great and allowance needs to be made accordingly on both sides.

- Balancing the need for confidentiality of commercial interest and promoting inclusion of staff requires a great deal of care. A communication plan is essential but will take a lot of managing.

Performance and quality of service

- The most recent performance statistics are testament to the fact that outsourcing contracts can and do work.

- Things will go wrong. The key is to ensure that when they do the parties put supportive arrangements in place and find a solution.

- Success will come where client and provider take an inclusive approach in a true partnership spirit and involve all those with an interest, i.e. the authority, the contractor and RSLs (registered social landlords), tenants organisations, advice agencies and other stakeholders.

Key conclusions and recommendations

- Many local government staff now share the author’s view that market and operating conditions have changed significantly since the first contracts were signed. Local authorities are also clearer today about what they want and how the private sector can help them achieve their objectives.

- The market in turn has become more flexible and is offering ‘products’ which add value by matching them to an individual authority’s needs. In effect it is a more mature market.

- There has been a change in attitude on both sides: they are prepared to collaborate to make the process work.

- The key to future success is to ensure that local government and private sector providers both learn the lessons from the limited experience to date. In that respect it has to be said that only some 37 authorities across the country have had experience of entering into arrangements with external contractors to provide all, or part, of their HB/CTB administration and so there is no large ‘databank’ of experience to be drawn on.
• This report makes it clear that the reasons for success or failure are complex and will depend on a range of issues like the reasons for outsourcing, previous performance levels, the local industrial relations context, the extent to which ‘partnering’ approaches have been adopted and the range of services included in the outsourcing package.

• In that context there is perhaps a need for national bodies and Government departments to take a lead in the dissemination of good practice. In the view of the authors they have a part to play not just in that but also in setting up workshops and forums to enable policy makers and practitioners from both sides of the market place to share experience and learn from one another.

• The good practice guide the authors have prepared to sit alongside their report will provide some help in that. The authors believe that it would be helpful to provide opportunities to talk about and share views about these developments and ongoing good practice in a changing environment.

• Above all, the authors are clear that good procurement is key to the success or failure of outsourcing. The procurement process, the nature of the contract and the way it is written and operated day-by-day are critical factors. Time spent in preparation, in getting the strategy right, in developing the package of services to be out-sourced with contractors, etc. will reap dividends for both parties.

• Such an approach also applies to day-to-day operations. Where problems are acknowledged early, information is shared, informal discussions are held promptly, solutions are agreed between contractor and client and are reviewed subsequently to ensure lessons were learned and that the problem had actually been resolved, it should be possible to prevent them from becoming major issues.

• Providing a quality service for claimants should be the paramount concern whether the service is provided in- or out-of-house. What the clients need should be at the heart of any contractual arrangement.

• Local authorities have to accept that external providers have to be able to make a profit to stay in business and should be given reasonable freedom to ‘do it their way’: if providers feel the risk is tilted too far in one direction, they will not even bid. The authority has, therefore, to be quite clear about what it wants before it goes out to tender and has to be able to specify that properly.

• To sum up, many of the authors’ findings and recommendations will apply equally to in-house benefits service provision or to in-house formal or informal partnerships. Good practice applies across the board but some lessons have a particular resonance when applied to an out-sourced service and the partnership between external provider and LA client. The accompanying good practice guide from these authors is directed at those who are considering the option of involving partners in delivering a high quality and cost-effective benefits service.
6.4 Competitive tendering and management of Housing Benefit and Council Tax Benefit administration

1997

This report looked at competitive tendering and management of HB and CTB administration and makes some key recommendations in the area. The research was carried out by Newchurch and Company.

The research determines which areas are covered by guidance and makes recommendations for good practice in the competitive tendering of HB and CTB administration. The research consisted of case studies in 15 LAs. The case study sample included six district councils, five London boroughs, two metropolitan authorities and two unitaries.

Key findings

- Over the last decade, competitive tendering has been used as a key tool within LAs to introduce value for money into the delivery of services. Initially introduced voluntarily by authorities seeking to achieve individual objectives, latterly all authorities have been required to subject a certain percentage of their white collar services, including financial and housing management services, to competitive tendering. Whilst the Government intends that compulsory competitive tendering should eventually be replaced with a duty on local councils to obtain best value, competitive tendering, in general, is seen as a key management tool in achieving best value.

- HB and CTB are income-related social security benefits which are administered by local authorities on behalf of the Department of Social Security (DSS). The administration of benefits has frequently been identified as an area suitable for competitive tendering, reflecting the scale of expenditure of the service and the discrete nature of the work involved. About 20 authorities had, at the time of this research, competitively tendered their HB and CTB administration. Twelve authorities have awarded the contract to external contractors.

- The DSS recognised the need to develop good practice guidelines for authorities preparing to expose their HB and CTB services to competition. Newchurch and Company was commissioned to undertake research which would achieve three objectives:
  - Establish the areas to be covered by guidance
  - Provide recommendations for good practice, identifying procedures which worked well and problems encountered
  - Determine the nature of advice and guidance which LAs would find helpful.
The research was undertaken in the period June to July 1997 with a sample of 15 LAs. The sample comprised authorities who have contracted out HB/CTB administration, those who have an in-house team administering the benefits following a competitive tendering exercise and those who were currently preparing to subject services to competition. The fieldwork comprised face-to-face, semi-structured interviews with client and contractor officers.

The research highlighted seven major areas where decisions were taken as follows:

- service packaging;
- developing the specification;
- key features of the contract;
- standards of service and performance measures;
- client structure and functions;
- management and monitoring arrangements;
- management of change.

**Service packaging**

The key decisions for service packaging are:

- whether to contract out HB/CTB out as a discrete package or to include benefits with revenue services such as council tax, cashiers and rent collection or as part of housing management services;
- packaging as much of HB/CTB as possible or just putting out part of the service;
- whether to exclude sensitive elements such as fraud detection and ‘take-up’ services;
- deciding which elements of the process of assessment could be contracted out.

Typically, authorities have sought to subject as much of the benefit service as possible to competition, with the exclusion of fraud. The majority of authorities included in this sample would wish to include determinations in the contract package, if legislation were made to allow this.

**Developing the specification**

Developing the specification was an area of particular difficulty for authorities, with the key decisions being:

- agreeing LA requirements in relation to scope, standards, the level of prescription and the provision for change;
- testing the interest of external contractors;
- agreeing development needs.
• Authorities have sought to understand as much as possible about their current service through service reviews and the involvement of benefits staff in the development of the specification.

**Key features of the contract**

• Key features of the contract where decisions were required included:
  – the period of the contract;
  – the inclusion of Information Technology as part of the contract;
  – the provision of accommodation;
  – remuneration.

• The greatest gains from the externalisation of the contract are acknowledged to result from access to improved IT. This also influences the period of the contract, requiring a sufficient time period to allow contractors the opportunity to recoup gains from their investment.

**Standards of service and performance measures**

• Decisions in relation to standards of service and performance measures included:
  – which areas to include;
  – the scope of the measures;
  – the level of standards;
  – whether to include penalties and incentives;
  – how to monitor;
  – when to issue default notices to contractors, for under-performance.

• The majority of current standards are focused on timeliness. Measures of customer service are acknowledged to be more difficult to establish and measure. The inclusion of incentives has proved particularly successful whilst decisions on the application of penalties and defaults can be more complex. Setting an appropriate level for standards and incentives requires understanding of pre-contract levels of performance.
Client structure and function

- In defining the client structure authorities had to agree the structure and function of the client unit, and, in particular, whether to introduce a central or neighbourhood client unit. Typically, neighbourhood units are only in place where benefits are part of housing management services. Functions which may or may not be included within the client are:
  - fraud;
  - overpayment recovery;
  - training;
  - determinations.

- Decisions on the size of the client unit are driven by whether it is an internal or external contractor.

Management and monitoring arrangements

- Typically, authorities have adopted and developed monitoring arrangements that were in place prior to the letting of the contract. Decisions taken were:
  - the nature and frequency of liaison meetings;
  - the structure of and responsibility for performance reports;
  - the inclusion of customer surveys;
  - the approach to quality checks.

- Good practice which was identified includes structured meetings, frequent informal contact and the introduction of computer generated reports.

Management of change

- The management of change is acknowledged to be a critical area for running a successful competitive process. Particular decisions include:
  - whether to submit an in-house bid;
  - agreeing a communication process for staff;
  - communications between staff and external contractors;
  - the appointment of client staff.

- Authorities agreed that open communication was the key to success. Where authorities prepared an in-house bid there was rather more guarded communication with external contractors. Where there was no in-house bid staff were involved in the selection process, with staff ballots, site visits and briefing meetings.
Guidance

- The main sources of guidance available to authorities were:
  - internal expertise within the authority in relation to competitive tendering;
  - other LA specifications;
  - sharing information informally with other LAs;
  - the use of external consultants;
  - the use of existing published information from professional associations and Government departments.

- Key difficulties in accessing information were the disparate nature of the sources of reference and the lack of information specifically tailored to benefits or to their individual circumstances.

- The nature of guidance which authorities identified they would have found useful comprised:
  - the cross-fertilisation of information across authorities, and, in particular, details of the status of different authorities in the process;
  - a central source of reference listing all existing published guidance;
  - a summary in one document of all statutory requirements and regulations relating to the competitive tendering of benefits;
  - guidance which is specifically tailored to benefits, to include a specification framework and good practice examples of alternative approaches to performance standards, penalties and incentives, treatment of determinations, provision of IT and management arrangements.

Recommendations

- Throughout the report the guidance used by authorities in relation to each of the key decision areas relating to the competitive tendering process has been identified undertaking the competitive tendering of HB/CTB administration. In addition authorities identified areas where there was little or no guidance available but where they would have found such guidance helpful. This chapter summarises these issues. The main sources of guidance which authorities used were:
  - other LA specifications;
  - sharing of information with other LAs;
  - external consultants;
  - existing published information such as IRRV, Chartered Institute of Public Finance and Accountancy (CIPFA), LA associations, and official guidance;
  - market sounding including negotiation with contractors;
– internal expertise within the authority, e.g. legal, personnel and compulsory competitive tendering (CCT) unit advice;
– service review.

• The guidance which authorities would have found useful had it been available was:
  – information on the status of competition and key individuals involved in the process within other authorities;
  – one source of reference of all published guidance;
  – legislative summaries and clarification;
  – guidance specifically tailored to benefits.

• Authorities contacted other authorities which had completed, or were undergoing the tendering process. Such communication tended to be ad-hoc and a result of individual proactive behaviour, or by chance at other LA group meetings.

• Authorities requested a guide to the status of each authority, identifying those authorities who have already and those that are currently preparing to subject HB/CTB administration to competition. Identification of a key contact within each authority who would be the best point of contact for other authorities was also suggested. It is recognised that this information, if collated, would soon be out of date, and would require a continuing administrative commitment in order to maintain its usefulness.

• Ideally, authorities want a source of reference which details all relevant guidance including those published by:
  – DSS;
  – DETR (Department of Environment, Transport and the Regions);
  – European Union;
  – local authority associations;
  – professional organisations;
  – other applicable sources.

• A summary of all regulatory requirements that could be updated at regular intervals, in loose leaf form, would simplify the process of collating information from a number of different sources and reduce the risk of lost circulars.

• Clarification of the legislation was also identified as critical, particularly in relation to the determination of benefit claims and the dividing line between the contractor and LA responsibility.
7 Conclusions

Housing Benefit (HB) was introduced in 1983. It is an income-related benefit and it supports people on low incomes with the cost of rented accommodation in the Social Rented Sector and also in the Private Rented Sector (PRS). A reform of the HB system will affect over four million households which receive HB in order to pay their rent and live in decent accommodation.

However, a reform of the current HB system is necessary because the HB system is too complex not only in itself but also in its interface with other benefits. With regard to the complexity of HB, the requirement to report all changes in circumstances no matter how frequent and/or insignificant they are is a problem for a lot of claimants. It is also a difficulty regarding an effective delivery of HB.

Another reason why reform is important is because HB appears to act as a barrier to work instead of acting as an incentive. This is because of a lack of awareness of HB as an in-work benefit, perceptions (and some cases still a reality) of poor administration. Another barrier, with regards to the payment of HB, is the transition to work which is often complicated and disruptive. These disruptions are especially problematic when people find their income and expenditure is unbalanced by disruption to household income cycles. On top of that, high rents function as a barrier to progress in work because the people are afraid that they will not be able to pay such high rents without HB so they prefer to stay dependent on benefits.

Customers are often concerned about the transition from a predictable receipt of income whilst on benefit to an unpredictable wage in employment. Many HB claimants are afraid of jeopardising their housing stability and their ability to pay household bills when thinking of a transition to work.

The reports covered in the literature review hint at the reasons why we need to reform the HB system. These include:

- Too complex – in itself and in its interface with other benefits, for example there is a requirement to report all changes in circumstances no matter how frequent and/or insignificant.

- A barrier to work – lack of awareness, perceptions (and in some cases reality) of poor administration, transition is complicated and disruptive.
Research shows that HB is an extremely complex policy area and one that is overdue for reform. It also shows that HB is a wide ranging benefit that impacts on many areas of Government policy, from welfare to work to housing, mixed communities to child poverty and financial inclusion, so any reform of the system would affect many groups in society.
Annex
Welfare Reform White Paper

Raising expectations and increasing support: reforming welfare for the future (December 2008)

Housing Benefit Review

2.33 Housing Benefit is an income-related benefit which helps over 4 million households with the cost of rented accommodation. Nearly three out of four customers are also on Income Support, income-based Jobseeker’s Allowance and Pension Credit. It is a stand-alone benefit, designed and administered separately from other benefits, but there are close and often complicated links with other benefits and credits. Housing Benefit reform is therefore an integral part of any wider reform of the benefits system.

2.34 The joint Department for Work and Pensions and HM Treasury internal review of Housing Benefit was announced as part of the Budget 2008 statement. The focus of the review has been on the working-age Housing Benefits system, looking at its effectiveness, particularly in promoting work incentives, efficiency and fairness, and ensuring it represents value for money for the taxpayer.

2.35 The Government is concerned about the rising costs of Housing Benefit and is taking steps to improve the scheme’s effectiveness. It is our intention that Housing Benefit should provide sufficient support to those receiving it to enable them to afford suitable accommodation. At the same time, we want to avoid creating situations in which people out of work are able to live in accommodation for extended periods which would clearly be out of the reach of working families. We also fully recognise the importance of strong neighbourhoods and mixed communities. We also need to support people who may be put off work because of the removal of a stable benefit income and the need to report changes more frequently. We need to look at ways of making these transitional periods more secure.
2.36 We therefore want to see how we can build on the existing reforms we have made to the extended payment regime and see how we can provide stability during the transition into work. We want to consider how we can make the system less responsive to individual changes of circumstances, give people more certainty about receipt of their benefit, and remove any perceived risks associated with administration.

2.37 Easing the transition into work, promoting value for money and ensuring the Housing Benefits system is fair to working families not on benefits are the key themes of the review and, in themselves, could mean some radical changes to the current system. We also recognise that the current structure of Housing Benefit is complex so we want to do all we can to drive forward the simplification agenda.

2.38 To date this review has been internal. We will launch an external consultation in early 2009. Here we will set out our long term vision for Housing Benefit reform and a potential strategy for achieving our objectives, including value for money. We will also set out any early steps we may need to take.

2.39 We also want to build on the successes of the ‘In and Out of Work’ pilots to make the links between Department for Work and Pensions, HM Revenue and Customs and local authorities seamless, thereby significantly improving customer service and providing better work incentives. The pilots have demonstrated that it is possible to have a fully integrated approach to service delivery so that, when moving in and out of work, customers need only contact one organisation about benefits rather than three. Streamlining the claims process for Department for Work and Pensions benefits, Housing Benefit and tax credits has led to transformed customer service and improved speed of processing. Turning benefits ‘on’ and ‘off’ quickly and more effectively is a key enabler to encouraging customers to take the first step into the labour market, particularly to take up short-term work.

2.40 We will continue to pursue our promotion of awareness and understanding of Housing Benefit and Council Tax Benefit which we know to be a problem and something that hinders moves into employment. In particular, we want to raise awareness that Housing Benefit can be claimed in work, and improve customer understanding of the way Housing Benefit operates.

2.41 We are keen to promote financial inclusion and individual responsibility among customers across all housing sectors. However, we will not be taking forward any compulsory pilots of paying Housing Benefit direct to customers in the social housing sector.
References


University of Birmingham and Bristol (2000) Social Housing Tenants’ Attitudes to Rent Levels and Rent Differentials, Communities and Local Government Housing Research Summary No. 127.