

briefing

JUNE 2002

Housing Benefit The National Perspective

One in seven households in England and Wales relies on housing benefit (HB) to help to meet basic housing needs. In 1999/2000, £10 billion was paid out in benefit, and an estimated £500 million was spent on administration.

- over time, the Government has made many changes to the scheme, often in order to control expenditure or to attack fraud
- because of these changes local authorities are finding the scheme increasingly complex and difficult to administer
- and the service provided to claimants has worsened since the mid 1990s: in 2000/01 only 63 per cent of claimants received their benefit within the 14-day period specified in the HB regulations – even though the number of claimants has fallen

In 2001, an Audit Commission *Learning from Inspection* paper made recommendations to councils about how they could administer HB more effectively. But local government alone cannot solve the problems of the system. This second report describes the part that other bodies, including central government, must play.

Other organisations can work with councils to help them to run the existing system better...



- good liaison with government agencies such as Jobcentre Plus can lead to better information management, and provide a seamless service to the claimant
- landlords and the voluntary sector can help tenants to get their claim right first time
- partnership with the private sector and with neighbouring councils may help to build capacity and modernise the service

...and the Department for Work and Pensions (DWP) could simplify the scheme, for example by...

- making HB payable for longer periods (as already announced for pensioners) to reduce the load on claimants and administrators, and

- changing the rules on when the Rent Service gets involved

The DWP should evaluate a range of such options, paying particular attention to the needs of genuine claimants.

The Government provides funding for local authorities to make HB payments through an over-complex regime, containing perverse incentives. It should...

- demand less data in support of the reimbursement process
- shift the emphasis away from penalising error, and instead reward good performance and customer focus, and
- ultimately, allow more freedom to councils that perform well

The Government has begun to address a number of these issues. It should maintain this momentum. Claimants deserve services that help them to deal with their needs, rather than (as too often at present) adding to their problems.

Better services will also help the Government to address the social exclusion agenda, improve people's chance of obtaining decent housing, and bring a client focus to the diversity of welfare benefits.

Introduction

1. One in seven households in England and Wales relies on housing benefit (HB) to help them to pay their rent. In 1999/2000, £10 billion was paid out in benefit, and an estimated £500 million was spent on administration costs. HB forms a major part of the national welfare system. But whereas most benefits are administered by central government agencies, such as Jobcentre Plus and The Pension Service, HB is the responsibility of local authorities to administer.¹

2. HB administration has caused increasing concern in recent years:

- delays in processing new claims have led to increasing hardship, stress and even threats of eviction for people who are already on low income. In recent years councils have been processing a smaller proportion of new claims within the statutory 14 days, despite the fact that the number of new claims has been falling (EXHIBIT 1);
- errors in payments also cause hardship to claimants. HB services are often difficult to access and negotiate, with many people finding the forms

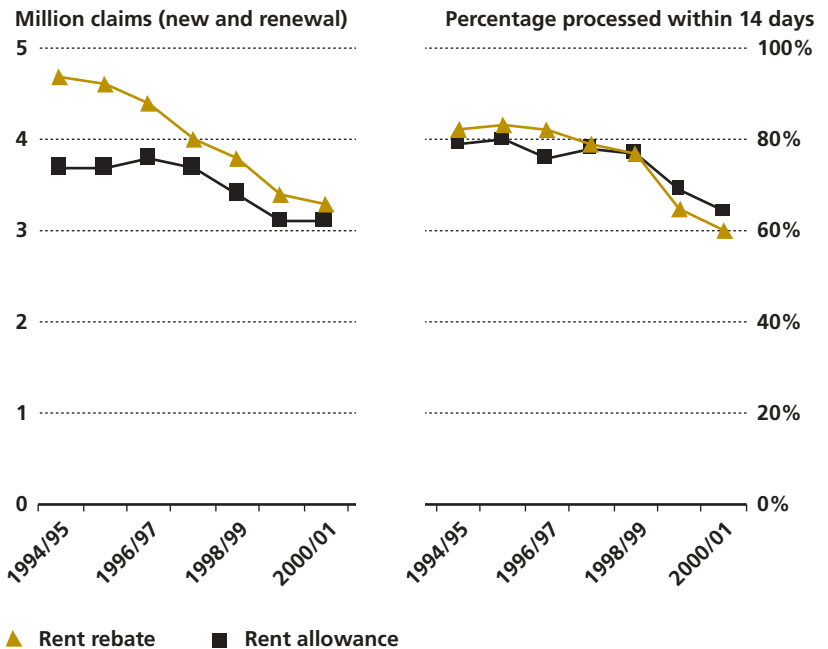
- and letters particularly difficult to understand and use; and
- HB is liable to high levels of fraud and error: together these were estimated to have cost £840 million in 1997/98.

¹ Jobcentre Plus and The Pension Service were formally established in April 2002. The two new agencies took over the work of the former Benefits Agency which was responsible for centrally administered benefits. These benefits include Income Support and Jobseeker's Allowance, which are available to people who are out of work or on low incomes.

EXHIBIT 1

Trends in housing benefit workload and performance

Councils have been processing a smaller proportion of new claims within the statutory 14 days, despite the fact that the number of claims has been falling.



Note. Broadly speaking, council tenants receive HB as rent rebates, while others receive rent allowances.

Source: Department for Work and Pensions management information

3. In response to growing criticism of the scheme, the Department for Work and Pensions (DWP) recently set out improvement measures, including the offer of extra resources to help struggling councils, and undertaking to simplify some aspects of the regulations. It has also issued a performance framework that sets out the standards of service expected, and has committed itself to a better process of consultation with local authorities about forthcoming changes.

4. In the last year, the Audit Commission, recognising the continuing concerns of service users, has undertaken two new studies.¹ A ‘Learning from Inspection’ paper, published in

October 2001, made recommendations to local authorities on administering the service better.² Now, this latest report *Housing Benefit: the National Perspective* describes how other organisations can help councils to provide a service locally, and then focuses on the role of central government.

5. *Housing Benefit: the National Perspective* has three themes:

- **liaison and partnership arrangements** – improved collaboration with statutory and voluntary agencies and with landlords; and partnership with the private sector, and with other councils;
- the approach to **simplifying the regulations** relating to who is entitled to benefit and how

their benefit is to be assessed. These regulations have become increasingly complex over time, and they cause difficulties for both claimants and councils; and

- **improving the funding regime** through which central government departments subsidise the costs that councils incur in administering the scheme and paying claimants, with associated penalties and incentives.

¹ Previous work on HB by the Audit Commission was published as *Remote Control* in 1993 and *Fraud and Lodging* in 1997.

² Audit Commission, *Housing Benefit Administration: Learning from Inspection*, Audit Commission, 2001.

Liaison and partnership arrangements

6. The HB service is administered by local authorities, but many other external organisations can help to improve the service (EXHIBIT 2, overleaf). Improvement requires more effective joint working with them all.

7. **Jobcentre Plus** administers two benefits for people of working age: Income Support and Jobseeker’s Allowance, both of which have close links with HB.

The majority of HB claimants also receive one of these benefits, which can act as a ‘gateway’ into HB. Councils need to exchange information with Jobcentre Plus, and also The Pension Service, in order to process claims and to work against fraud. The DWP has promoted joint working and service level agreements (SLAs) between councils and the former Benefits Agency. There is, however, a risk that performance could

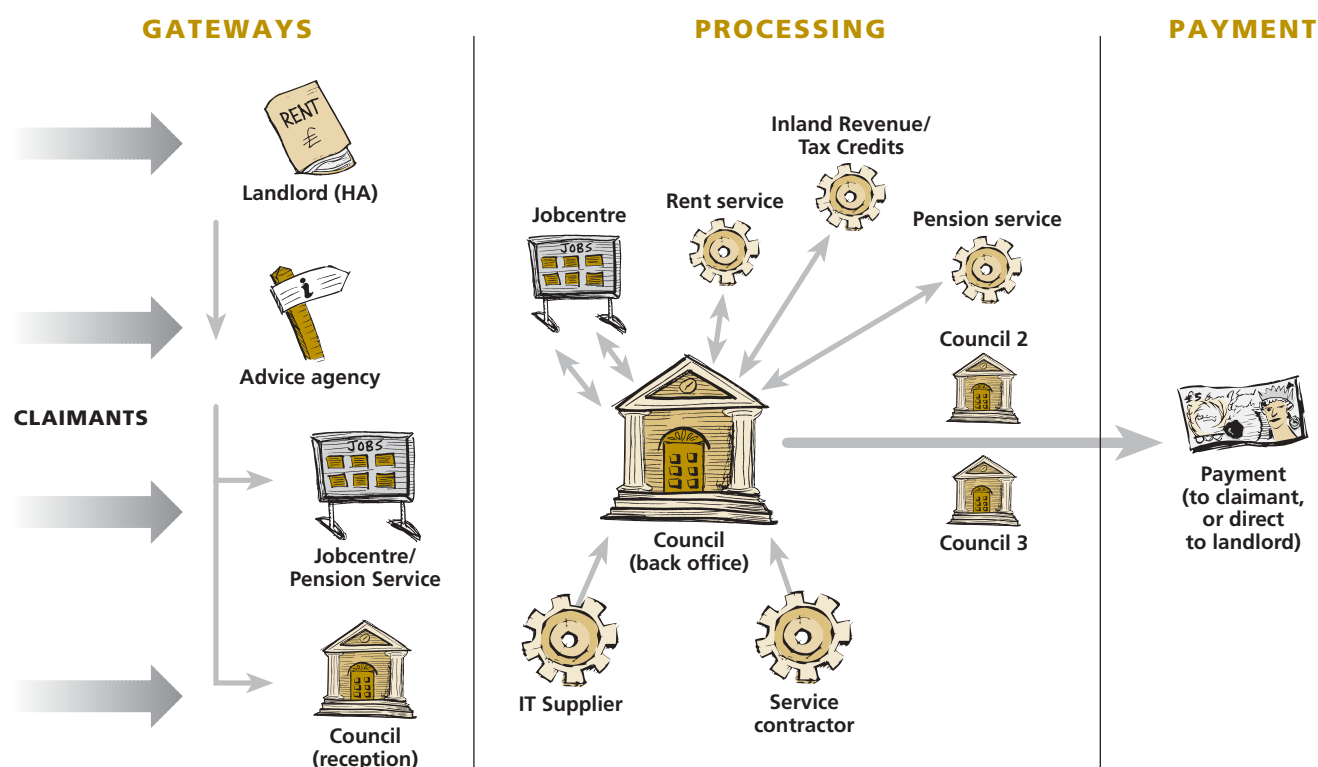
falter as new organisations develop their role (Jobcentre Plus, The Pension Service and – as tax credits are extended – the Inland Revenue). Data protection issues also need to be resolved wherever possible.

8. Many **voluntary sector agencies** (such as Citizens Advice Bureaux and Shelter) provide valuable practical help with HB claims. So do many **landlords**, both housing associations and those in

EXHIBIT 2

Organisations potentially involved in the housing benefit service

Many other external organisations can help to improve the service.



Source: Audit Commission

the private sector: indeed a pilot scheme currently under way allows selected housing associations to verify evidence of claimants' identity. Provided that funding issues and potential conflicts of interest can both be resolved, these arrangements can benefit the authority as well as the claimant.

9. Private sector providers are another potential partner. Some 30 councils have outsourced their HB service, either in whole or in part, but with varying levels of

success (and several well-publicised failures). A poor HB service is unlikely to get better just because it is exported to the private sector, but better contract management has, on occasion, turned a problem round. Partnership with the private sector is one potential route to improvement – particularly for councils with major staffing or IT problems. But authorities and contractors together must ensure that they deliver a customer-focused service

as well as a cost advantage.

10. Local authorities often work with other councils to increase efficiency and improve aspects of the service – such as training, the exchange of information, fraud prevention work and IT procurement. Although differences between councils can hamper close partnership, joint administration could bring about more economies of scale and better investment in IT.

Simplifying the regulations

11. Ideally the HB system should satisfy a range of objectives:

- for claimants, it should be speedy, accurate, accessible, transparent, fair and convenient;
- for local authorities, it should be simple and economical to administer; and
- for central government, it should be affordable without overstressing public expenditure, should be well-protected against fraud, and should support wider policies, particularly those on housing, work and welfare.

12. Critics of the current system have suggested changes with the aim of making the process simpler for claimants. But most of these suggestions would work against some of the other objectives: for example, relaxing eligibility criteria would increase the cost to the public purse, and simplifying proof of identity rules would make fraud easier. The DWP plans to implement some of these suggestions in some circumstances. It is evaluating some others; others again are more speculative.

13. In the past, councils' and claimants' organisations have perceived decisions on changes to the HB framework to have been driven more by the needs of central government than by their own. The DWP should therefore continue to evaluate options for simplification, and pay particular attention to the difficulties that claimants experience in the current system. However, ultimately the trade-off between (for example) costs to the public purse and easier access for claimants is a political one. The DWP should therefore make public the reasoning underlying its decisions.

14. In the past, the Government has not always allowed adequate time for councils to comment on proposed changes, or for councils and IT suppliers to implement them. This has often led to problems after implementation. The DWP is committed to improving these processes, and it is important that it delivers on this.

15. Councils have little discretion in relation to how much HB they award and to whom.¹ This reflects the status of HB as a nationally available, nationally funded benefit. Nevertheless, an increased element of discretion could help to resolve individual hard cases, and might perhaps improve local management of the risk of error and fraud.

¹ Councils have budgets for discretionary housing payments but these are small and limited.

Improving the funding regime

16. Central government (the DWP, the DTLR and the Welsh Assembly Government) provides funding towards the payments that local authorities make to claimants, and towards the cost of the administration involved. Funds reach authorities through a complex variety of routes (EXHIBIT 3), parts of which contain penalties or incentives related to each council's performance. The current funding regime has a number of weaknesses:

- it reimburses only a basic level of administration and service;
- it is not transparent, and uncertainties about how much subsidy councils will receive make services harder to plan;
- administrative costs are heavy,

because councils have to submit a very complex data return to the DWP;

- the penalties, for example, for backdating, encourage an over-cautious approach to claimants...
- ...and incentives reflect counter-fraud work only, and not other aspects of good all-round performance, such as the time taken to reach a decision on ordinary claims.

17. In the past, errors on the grant claim have attracted penalties that could be disproportionate to the size of the errors. This has sometimes encouraged authorities to be more concerned with getting the technical details of complex cases absolutely right than with

promoting take-up to those who may be unaware of their entitlement.

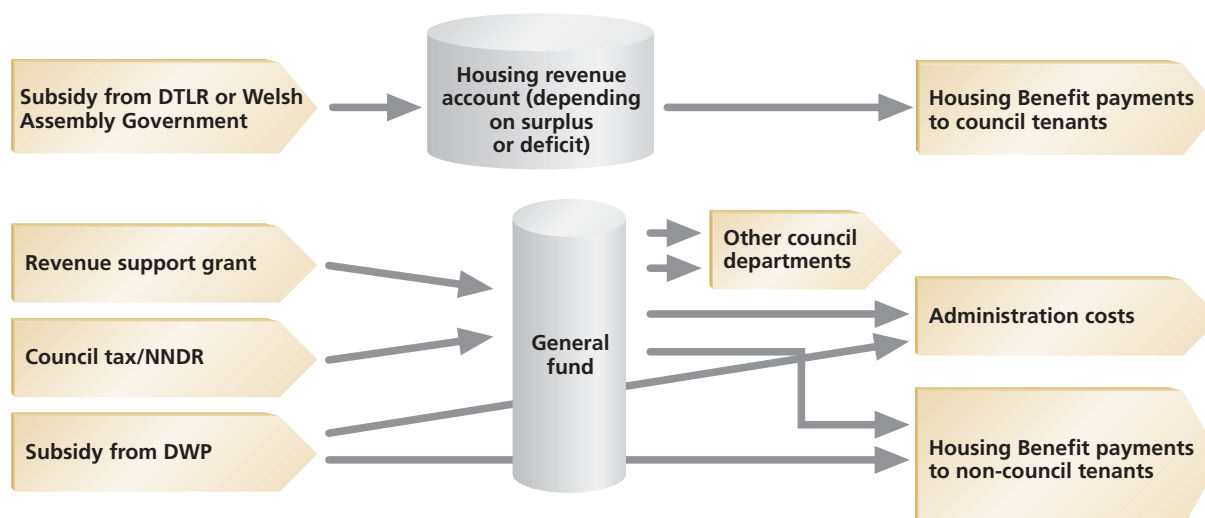
18. But even in the short term, the funding regime could be further improved:

- the grant claim form could be greatly simplified, and the requirements on external auditors reduced. These changes would free up substantial amounts of management and auditor time, which could (for example) be used proactively to attack error and fraud; and
- the Government should announce the rules affecting the grant claim as early as possible, bringing them in line with local authority budget cycles.

EXHIBIT 3

Sources of funding and subsidy

Funds reach authorities through a complex variety of routes.



Source: Audit Commission

19. A radical redesign of the funding regime should:

- reimburse local authorities fully for payments to claimants on behalf of central government;
- reward good performance and customer care in line with the DWP's performance framework; and
- include an effective response to major inefficiency or poor service quality.

20. Where an HB service persistently fails to meet

reasonable standards, the DWP's regime should specify support and intervention arrangements, rather than heavy financial penalties that are likely to disadvantage the local authority as a whole. The DWP has gained experience through its 'help team' and 'help funding' arrangements which could be valuable in helping more councils to achieve good standards of administration.

21. In conclusion, the Government is responding positively to criticisms of HB regulations and procedures. But

services still need to be developed so that they consistently help claimants to deal with their needs, rather than (as too often at present) adding to their problems. Both the Government and local authorities need to contribute to this, maintaining a proper balance between customer care and counter-fraud work. Improvements to HB administration will also help the Government to reduce homelessness, improve people's chance of obtaining decent housing, and bring a client focus to the diversity of welfare benefits.

Recommendations

The full report makes the following recommendations:

Short term

...on local liaison and partnerships

The DWP should strengthen its monitoring and performance management of standards of HB work in Jobcentre Plus offices (and in The Pension Service in due course), and make comparative data available to local authorities and the public.

The DWP should promote to the Inland Revenue, the importance of high standards and good practice in terms of HB administration (including SLAs).

The DWP should continue to examine whether Jobcentre Plus could lift some or all of the restrictions on sharing data with local authority benefit sections, in advance of the introduction of the planned Contract Management System.

The Rent Service should roll out electronic transfer of data to local authorities rapidly, if the pilots are successful.

Longer term

...on local liaison and partnerships

Local authorities should look for opportunities to work with voluntary sector advice agencies, and with housing associations, to help claimants to get their details 'right first time' and checked and ready for assessment more quickly.

HB services that are facing persistent labour shortages or that need to modernise their IT need to consider the option of outsourcing...but authorities must review carefully how they would manage the contractor and what level of customer care the contractor must deliver.

Local authorities should continue to look for opportunities to share aspects of their service with other councils.

Short term

...on simplifying the regulations

As intended by the DWP, Jobcentre Plus should encourage its local offices to stop using the old NHB1 form as a gateway to HB, and supply claimants either with the appropriate local authority's application form or use the new national model claim form.

The DWP should review the timing restrictions on local authority referrals to the Rent Officer.

The DWP should maintain and improve its process of consultation on changes to rules and regulations.

...on improving the funding regime

The DWP, based on its consultation process with the Audit Commission, should shorten the grant claim form, reducing the number of cells and removing the requirement for the auditor to certify all small entries.

The DWP and the DTLR should give IT software suppliers more notice of changes affecting the subsidy calculations.

The DWP and the DTLR should approve the rules affecting the grant claim as early as possible, bringing them in line with local authority budget cycles.

Longer term

...on simplifying the regulations

The DWP should continue to evaluate a range of options for simplifying the operation of HB, giving full weight to the views of claimants and landlords.

The DWP should allow local authorities that perform well to exercise freedoms in two areas particularly:

- piloting simplified regulations; and
- basing their controls against fraud and error partly on local assessments of risk.

The DWP should make some provision for further discretion to be allowed in individual special cases.

...on improving the funding regime

In the longer-term, the DTLR, the Welsh Assembly Government and the DWP should move to a funding regime that is characterised by:

- timely monitoring and review;
- penalties that are proportionate to minor failure;
- proposals for intervention and support (for example, using the Help Fund) in cases of major failure;
- incentives for good performance; and
- allowing greater freedoms in the spirit of the recent Local Government White Papers for England and for Wales.

If you want to know more: the full national report, Housing Benefit: The National Perspective looks at all of these issues in more detail and includes background information, case studies and specific guidance.

Audit Commission,
Housing Benefit: The National Perspective (national report)
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