

Meeting of Executive Member for Corporate Services 18th March 2008 and Advisory Panel

Report of the Easy@York Programme Manager

Update on the Local Housing Allowance (LHA)

Summary

1. This report provides an update to Members on the work being done to implement the new Local Housing Allowance from April 08. This paper also sets out details of our Safeguard Policy. This report is for information only and no decision is required. The authority is due to be issued with final LHA rates by the Rent Service in early March. At EMAP on 18th March an assessment of the likely financial impact for customers will be presented.

Background

2. The LHA is a new way of working out new claims for Housing Benefit for tenants renting accommodation from a private landlord. It also affects tenants already getting Housing Benefit who move into accommodation rented from a private landlord.
3. LHA is being introduced on 7th April 2008 and a tenant's benefit will be based on:
 - Who lives with them
 - Which area they live in
 - How much money they have coming in
 - What savings they have
4. In some cases the amount of benefit they are entitled to will be affected by other things. They can include:
 - How much their rent is
 - Whether anyone living with them is expected to contribute to their rent

All local authorities with responsibility for the calculation and payment of Housing Benefit must implement the scheme with effect from 8th April. The DWP have provided start-up funding of around £135k to cover the costs of software, training and publicity. The value of this funding provides an indication of the size and scale of the change in Benefits legislation.

Aims of the LHA scheme

5. The Government's stated aims of the scheme are to promote
6. **Fairness** – intention is to pay similar amounts of allowance to customers with similar circumstances in the area rather than linked to the level of rent charged.
7. **Choice** – tenants are able to take greater responsibility and choose how to spend their income in a similar way to tenants not in receipt of benefits. They would be able to choose whether to rent a larger property, or to spend less on housing and increase their available income.
8. **Transparency** – the current link between Housing Benefit and rent levels is complicated and is determined by what the Rent Officer deems reasonable. The LHA will give a clear set of allowances and enable comparison between housing costs in different areas and for different sized properties.
9. **Personal Responsibility** – the LHA will be paid direct to the tenant and not the landlord in the majority of cases with the aim of encouraging people to take responsibility for budget management and paying the rent themselves. This is seen as a key factor in empowering tenants and encouraging them back into work.
10. **Simplicity** – the current system of rent restrictions and referrals to the Rent Officer will be phased out. For working age customers it provides greater certainty about the help they will get with their rent both in and out of work. It should also improve processing times for Housing Benefit claims by reducing the need to refer claims to the Rent Service.

Operation of the LHA scheme

11. The operation of the scheme is much as described in the EMAP paper of 30th October. However further work has been done to establish a safeguard protocol for tenants. Details of this process follow later in the paper.

Provisional LHA Rates

12. The Rent Service continues to refine the rates that will apply in York. The most recent provisional rates are shown in the attached table.

Number of Bedrooms	Category	Oct 07 £ pw	Feb 08 £ pw
Shared Room Rate	A	58.00	58.00
1 bedroom	B	103.85	103.85
2 bedrooms	C	126.92	126.92
3 bedrooms	D	138.46	150.00
4 bedrooms	E	248.08	240.00
5 bedrooms	F	248.08	320.00

As can be seen, there has been a shift in the provisional rates.

13. We continue to make representation to DWP regarding the impact of the new scheme on claimants within the city. For the period January 06 to January 07, the Rent Office have compared the actual decision it made on a property's rent with the decision it would have made using the new formulae. The results are set out in the table below.

Local Authority	Total Referrals between Jan 06 and Jan 07.	Using the LHA – the number where the rent would increase	Using the LHA – the number where there would be no change	Using the LHA – the number where the rent would decrease
City of York	2353	80 (3.4%)	1275 (54.2%)	998 (42.4%)
Hambleton	150	58 (38.7%)	83 (55.3%)	9 (6%)
E Riding	<i>Excluded as it was a pilot site</i>			
Ryedale	326	172 (52.8%)	153 (46.9%)	1 (0.3%)
Selby	746	280 (37.5%)	441 (59.1%)	25 (3.4%)
Total for Locality	3575	590 (16.5%)	1952 (54.6%)	1033 (28.9%)
National Average	973709	190506 (19.6%)	720109 (73.9%)	63094 (6.5%)

14. As can be seen, the position for City of York gives concern. Of the 2353 Rent Officer referrals made, 998 (42.4%) would have resulted in a reduction in the amount allowed. Less than 4% resulted in an increase. The impact of setting median rent levels across a geographical area that includes York is having the effect of reducing what is allowable in York but increasing the payments to be made in areas such as Selby and Ryedale. Although the size of York's rental market compared with our neighbours does mitigate some of the effects of averaging rents across a geographical area, it is the case that some claimants will be adversely affected. Once the final LHA rates are provided in early March, we will be in a position to provide EMAP with a better analysis of the financial impacts of the scheme.

15. I have written to DWP to draw attention to the potential impact that this scheme will have on York claimants and to bring to their attention the marked difference between the impact in York and the overall national picture. Of immediate concern is the impact LHA may have on existing claimants who move after 8th April. There is no protection or transition scheme available so, depending on the LHA rates, tenants could be adversely affected. Additional support is available under the Discretionary Housing Payments (DHP) scheme but this requires a separate application by the claimant and the DHP fund is limited, in 2008/09 it will be £28.5k. We have overspent this budget during 2007/08 and although we can vire CYC funds to supplement this budget, legislation and our own financial

circumstances limit what we can make available. Given the unsatisfactory way in which this budget is allocated (a large number of authorities do not use their funds), I have also requested that DWP increase the CYC DHP budget. I am due to meet the Head of DWP Housing Policy during March to progress these issues further.

16. For the remainder of our tenants in receipt of Housing Benefit, they will be impacted when the annual review of their rent is made. On the figures in the table above, 40% could see a reduction in what they are paid. A fuller analysis of the financial impacts will be provided at EMAP.

Safeguard Protocol

17. It is acknowledged that some customers will have difficulty in managing their affairs or will not pay their rent. To safeguard the tenancies of these customers we have the discretion to make payments directly to the landlord where it is in the customer's interest to do so. We call these Safeguard decisions.

18. There are three conditions that allow payment of HB to be made to the landlord under the Safeguard protocol:

- The tenant is likely to have difficulties managing their own affairs
- The tenant is unlikely to pay their rent
- The tenant has arrears of eight weeks or more

19. In all cases the Safeguard will only be applied if it is in the overriding interest of the tenant to do so.

20. These principles only apply to payment of HB up to the amount of the tenant's contractual rent – any payment in excess of this amount must be paid to the tenant regardless of any Safeguard decision. The only exception is in the case of arrears, where the excess can be paid to the landlord to reduce these arrears.

Objectives

21. This approach is intended:

- To provide a safeguard for customers who are likely to have difficulty in managing their affairs or are unlikely to pay their rent thereby preventing rent arrears and the risk of eviction
- To reassure landlords that benefit entitlement will be paid
- To ensure that there is a transparent and clear process which can be understood by all

- To ensure that decisions are made consistently
- To treat each case on its own individual merits

22. Tenants who have an appointee who looks after their affairs will generally not need their HB paid to the landlord to safeguard their tenancy.

Tenants who are likely to have difficulty managing their own affairs

23. Each tenant's circumstances are different and each case must be considered on its own merits. Below are some examples of issues, which might cause tenants difficulty in managing their affairs, and so could be considered for HB payment direct to their landlord.

- Medical conditions affecting mental or physical health
- Poor understanding of, or inability to communicate, in English
- Addictions to drugs, alcohol or gambling
- Severe debt
- Inability to open a bank account
- Undischarged bankruptcy
- Leaving care
- Leaving prison

24. It will not be sufficient to simply experience one of these issues for us to make payment to the landlord – it must also be shown that the tenant would have difficulty managing their affairs.

Tenants who are unlikely to pay their rent

25. Most tenants are capable of managing their own affairs, and therefore it must be assumed that they will make payments of rent to their landlord unless there is evidence to suggest otherwise. Where there is evidence to support non-payment of rent, HB may be paid direct to the landlord only where it is in the tenant's interest to do so. For example, where a tenant may be withholding rent because of a dispute with the landlord over repairs, it may not be in the tenant's interest to pay direct to the landlord.

Tenants with arrears of eight weeks or more

26. Where it is shown that a customer is in arrears of 8 weeks or more, payment will be made directly to the landlord, unless it is in the overriding interest of the customer not to do so. We will expect the landlord to be able to show proof of the arrears.

27. All cases will be monitored to ensure this provision will only apply until the arrears have reduced to less than 8 weeks or have been cleared. However, consideration may then be given to the other provisions under the Safeguard protocol.

Making a request

28. We will accept a request for landlord payment from the tenant, the landlord or any other representative or organisation. Where the request is made by anyone other than the tenant, they must supply written authority to act on behalf of the tenant.

29. The request can be made by letter or email, by telephone or on the Safeguard payment application form, and should be supported by written evidence. If there is insufficient supporting evidence we will write to ask for this.

30. Examples of supporting evidence include letters from the following:

- Support worker
- Voluntary or welfare organisations
- GP or other health service professional
- Other council services or government bodies, such as Social Services
- Landlord
- Friends, family or neighbours

Implementation of the LHA Scheme.

31. The following work has been done to ensure the successful implementation of the LHA scheme:

Software

32. The required software has been purchased from Northgate. In addition it has been installed and a first phase of testing has been completed. A second test will be done once the Council Tax annual billing run has been completed. We are confident that there will be no technical issues.

Staff Training

33. Initial awareness training has been completed, supplemented by some technical training. We intend to offer further training on 13th/19th March to allow staff to practice using the new IT processes. Awareness training for non Benefits Service staff will be offered once all assessors have had their training.

Procedures

34. These are being developed and will be ready to support go-live.

Stakeholders

35. Two large events have been run for landlords within the city. These were well attended and have been followed up with meetings and documentation. A landlord newsletter has been devised and is being used to answer frequently asked questions. A further forum has been planned for post go-live to assess the impact on landlords.

36. An event has also been run for CAB and others that provide advice to potential claimants.

Financial

37. We have used the LHA as an opportunity to offer direct debit into bank accounts as a way of paying tenants. We have prepared some banking and money advice guidance to support this.

Publicity

38. A series of guidance booklets have been produced and distributed. This work has been done in partnership with our neighbouring authorities.

Consultation

39. We have consulted with colleagues in Housing and they are aware of progress on the implementation of LHA. We are working hard with CAB and have consulted landlords and have an ongoing dialogue with their association..

Options

40. This section should present the options available for Members to consider.

Analysis

41. Not applicable as this report is for information only.

Corporate Priorities

42. The payment of HB contributes towards two corporate objectives:

- Improve the health and lifestyles of the people who live in York, particularly among groups whose level of health are the poorest
- Improve the life chances of the most disadvantaged and disaffected children, young people and families in the city.

Implications

43.

- **Financial** - the Council will receive funding from the DWP of £135k to support the implementation of the scheme.
- **Human Resources (HR)** – None
- **Equalities** – None
- **Legal** – None
- **Crime and Disorder** – None
- **Information Technology (IT)** - Software updates and testing have been installed by Resources ITT as part of the normal maintenance arrangements for the benefits system.
- **Property** - None
- **Other** - None

Risk Management

44. This report is for information and there are no risks to consider.

Recommendations

45. The Advisory Panel is asked to advise the Executive Member to:

- Note the content of this report
- Note the establishment of a safeguard protocol
- Note that a financial assessment of the likely impact of the LHA scheme on tenants will be provided at EMAP on 18th March.

Reason: to keep the Executive Member informed of changes in legislation that impact on the processing and payment of Housing Benefit.

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Report Approved Date 5/3/08

Specialist Implications Officer(s) *None*

Wards Affected: *List wards or tick box to indicate all*

All

For further information please contact the author of the report

Background Papers:

None

Annexes

None