

## Meeting of Executive Member for Corporate Services and Advisory Panel

11 September 2007

Report of the Assistant Director of Resources (Public Services)

### Introduction of the Local Housing Allowance

#### Summary

1. This report advises members of the introduction of the Local Housing Allowance from April 2008 and its implications for the calculation and payment of Housing Benefit. It is the intention to present a more detailed follow-up report to a future EMAP that expands on the implications of the scheme. This report is for information only and no decision is required.

#### Background

2. The Welfare Reform Act was given Royal Assent on 3 May 2007. The main focus of the Act is the reform of the Incapacity Benefit system and a range of Housing Benefit reforms which includes the national rollout of the Local Housing Allowance (LHA) scheme. Regulations detailing the operation of the scheme have yet to be laid before Parliament but the Department of Works and Pensions (DWP) have outlined the scheme and it has been piloted, in a slightly different form, in 18 local authority areas.
3. The LHA provides a system of Housing Benefit assessment by basing the calculation of payments on a 'flat rate' of rental charge which takes account of household size and composition as well as the area in which the claimant lives. All local authorities with responsibility for the calculation and payment of Housing Benefit must implement the scheme with effect from 8 April 2008. The DWP will be providing start-up funding to cover the costs of software, publicity and training.

#### Aims of the LHA scheme

4. The Government's stated fundamental aims of the scheme are to promote:
  - **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.
  - **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.

- **Transparency** – the current link between Housing Benefit (HB) 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.
- **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.
- **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 HB claims by reducing the need to refer claims to the Rent Service. However, this may be partly offset by resolving questions of ‘protection’ for vulnerable customers (see para. 10 below).

### **Operation of the LHA scheme**

5. From April 2008 the LHA rules will apply to new claims from tenants renting from a private landlord. It will not apply to Council or housing association tenants, tenancies that started prior to 1989 or residents of caravans, mobile homes, houseboats and hostels. All existing claims will continue under the current Housing Benefit regulations but if there is a break in entitlement that results in a new claim this will be processed under the LHA scheme. A change of address within the City of York area will be treated as a new claim.
6. The rates of LHA will be set by the Rent Service (an executive agency of the DWP) based on size criteria and Broad Rental Market Areas (BRMAs). The Rent Officer will provide the Council with a list of weekly Local Housing Allowance rates that it must publish to enable tenants to make an informed choice. The rates will be produced each month, though they may not necessarily vary every month, and new claims will be based on the figures applicable in the month that the claim is made. This differs from the existing scheme which calculates entitlement based on information from the Rent Officer on either a “reasonable rent” (or “claim-related rent”) or the Local Reference Rent, based on average rents for property of a similar size.
7. Members should be aware that the Rent Service are currently reviewing the BRMA for York as part of a national review. The boundary of the area is due to extend to include rural parts of the East Riding of Yorkshire and parts of the Selby area to reflect the “centre of influence” of York. Analysis of this change by the Benefits Service suggests it could reduce the level of the Local Reference Rents supplied by the Rent Officer that are used in the calculation of Housing Benefit claims. Potentially claimants would have to increase the

contribution they make towards their rent, the level of this additional contribution depending on property size.

8. The LHA rates will be based on the median rent charged by landlords in the private sector within the new wider locality. The size criteria will relate to the number of bedrooms only and takes no account of living rooms, kitchens and bathrooms. The maximum level of LHA awarded will be based on the number of bedrooms required by the applicant.
9. The amount a claimant receives will be based on the maximum rent figure and will depend on their income, capital and household composition. Where the rent is greater or equal to the LHA the benefit calculation will be based on the LHA. If the rent is less than the LHA the calculation is based on the actual rent plus £15 per week (or the actual difference where this is less than £15). This £15 limit caps the excess money that a claimant may receive and is a late addition to the scheme introduced to prevent work incentives being eroded.
10. Where a customer is considered vulnerable, payments can be made direct to the landlord. However, they will only be paid LHA up to the equivalent of the rent. If there is an excess the local authority will need to make arrangements to pay this to the tenant unless they are in arrears, in which case the excess can be paid to the landlord.
11. In preparation for the scheme the Benefits Service will be writing to all existing customers later this year to offer the facility to have their Housing Benefit paid directly into their bank account rather than by cheque.
12. The Benefits Service will be developing criteria to help identify and deal sympathetically with vulnerable tenants in co-ordination with family members, social services, voluntary agencies etc.
13. Customers will still be expected to make claims for Housing Benefit using the same claim forms (with some minor changes) and providing the same proofs required at present. The main changes relate to the rental information used to assess the level of entitlement and the method of payment (see para. 16 for further impact on claimants)

### **Implementation of the LHA scheme**

14. The Benefits Service is devising an implementation plan to ensure that the April 2008 deadline is met. The main areas where work is needed are as follows:
  - **Software** – purchase, installation and testing of new calculation modules from our software supplier (already developed for some of the pilot authorities).
  - **Stakeholders** – communicate changes to other internal departments (e.g. HASS), landlords and advisors. Publish landlord newsletters and hold briefing forum.

- **Financial** – write to all customers offering direct payment into bank accounts. Liaise with local banks and provide advice to customers about basic bank accounts.
- **Training** – devise and deliver training sessions for all benefits staff. Produce Q&A sheets for Members and other interested parties.
- **Communication** – develop and issue tenant and landlord information. Publish initial LHA rates.
- **Policy** – develop policies on identifying and dealing with vulnerable claimants and the provision of money advice.

15. The Council will receive funding from the DWP to assist with the rollout. Funding is based on a fixed element and a variable element that takes into account a weighted benefit caseload figure. The provisional figure for the City of York is £135,283, and the value of this funding provides an indication of the size and scale of the change in Benefits legislation.

### **Impact of the scheme for claimants**

16. As the regulations and LHA rates have yet to be published it is too early to assess the financial impact for claimants. However, we can anticipate some changes that will require action on the part of our customers:

- **Direct Payments** – in all but exceptional cases payments are made directly to the claimant so tenants will have to make their own arrangements with their landlord to pay the rent.
- **Bank Accounts** – some claimants will need to open a bank account to receive direct payments (by bank transfer) and so may require advice and assistance in doing this.
- **Moving House** – the scheme only affects new claims so where a tenant moves house the benefit claim at the new address will be paid under the LHA scheme. 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 2007/08 it is only £28.5k.
- **Breaks in Claim** – following a break in claim (where benefit entitlement stops due to, for example, a temporary increase in earned income or a change in the number of non-dependants in the household) the claimant will be paid under the LHA scheme which is likely to be at a different rate to the benefit entitlement before the change.
- **Publication of LHA Rates** – claimants will be able to see the LHA rates in force before making a decision to move into a particular property. Depending on how the rates are split by postcode over the York area it will be important for potential tenants to know the full postal address of the

property. These rates are also be available to landlords and may have some influence on rent levels.

## **Consultation**

17.No consultation was required for this report.

## **Options and Analysis**

18.This is a factual information report and no decision is required, so no options or analysis are relevant.

## **Corporate Priorities**

19.The payment of Housing Benefit 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**

20.**Financial** – the Council will receive funding from the DWP which will need to be separately accounted for and controlled to ensure that we meet the April 2008 implementation deadline.

21.**Information Technology (IT)** – the software updates to allow administration of the scheme will be installed by ITT as part of the normal maintenance of the main benefits system. Training and draft guidance notes have already been provided by the software company.

22. There are no other Human Resources, Equalities, Legal, Crime and Disorder or Property implications.

## **Risk Management**

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

## **Recommendations**

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

- Note the content of this report
- Note that further advice will be provided to Members once the regulations have been published and the more detail about the scheme is known.

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

## Contact Details

**Author:**

Andrew Walmsley  
Business Manager  
Resources  
01904 552929

**Chief Officer Responsible for the report:**

James Drury  
Assistant Director of Resources (Public  
Services)

Report Approved

Date 23 August 2007

**Specialist Implications Officer(s)** None

**Wards Affected:**

All

For further information please contact the author of the report

**Background Papers:**

Welfare Reform Act 2007  
Draft LHA Guidance Manual (DWP)

**Annexes:** None