

**REPORT TO: POLICY AND RESOURCES COMMITTEE**

**REPORT ON: LOCAL HOUSING ALLOWANCE**

**REPORT BY: DEPUTE CHIEF EXECUTIVE (FINANCE)**

**REPORT NO: 657-2007**

## **1.0 PURPOSE OF REPORT**

This report is to inform the Elected Members of the introduction of the Department for Work and Pensions' (DWP) Local Housing Allowance (LHA) on 7 April 2008.

## **2.0 RECOMMENDATIONS**

It is recommended that the Committee note the contents of the Report.

## **3.0 FINANCIAL IMPLICATIONS**

Previous significant changes to the Housing Benefit regulations have resulted in the need for an increase in staff numbers. It is envisaged that there will not be such a need in this particular case.

A specific grant has been awarded to the council by the DWP to implement the LHA. The cost of the implementation will not exceed the amount of the specific grant.

## **4.0 MAIN TEXT**

- 4.1 The introduction of the LHA is the central element of the DWP's Housing Benefit reform programme. The fundamental objectives of the LHA are to promote:-
- 4.2 Fairness - The amount of Housing Benefit awarded will be based on the size, composition and location of the household. Therefore two households in similar circumstances in the same area will be entitled to similar amounts of benefit.
- 4.3 Choice - Like other tenants, claimants will be able to choose whether to rent a larger property or to spend less on rent and increase their available income.
- 4.4 Transparency - Tenants will be able to compare how much housing benefit is available towards their rent in different areas and for different property sizes.
- 4.5 Personal Responsibility - The empowerment of claimants to budget for and pay for their rent themselves helps develop the budgetary skills tenants will need especially for those claimants moving into work. To that end, wherever possible, the LHA should be paid to the tenant and not directly to the landlord.
- 4.6 Financial Inclusion - The government wants claimants to have their Housing Benefit payments paid into a bank account and to set up a standing order to pay rent to their landlord. The Revenues Division will work with stakeholders to encourage and assist claimants in this regard.
- 4.7 Reduced Barriers at Work - Greater certainty about what in-work benefit they could receive will encourage claimants to take the step from welfare benefits into work.
- 4.8 Improved Administration - There will no longer be complex rent restrictions and rent referrals to the Rent Officer, leading to a quicker more efficient and less complicated processing method.
- 4.9 Scope of LHA - At it's introduction, LHA will only apply to mainstream private tenants who submit a new housing benefit claim or a change of address from 7 April 2008. It will not apply to existing claimants until they have a break in their entitlement or change address.

- 4.10 Calculation of LHA - LHA is based on the rent levels for the area in which a person lives and how many people live with them. The LHA rates will be set by the Rent Officer based on a Broad Rental Market Area (BRMA) and the number of bedrooms required for the claimant's household. The LHA provides the potential for a claimant to receive more than their contractual rent, subject to a maximum of £15 per week. This excess is the claimant's to use as they wish.
- 4.11 Payment of LHA - Currently a benefit claimant who rents a property from a private landlord can request that payment of their housing benefit is made directly to their landlord to cover their rent. Under LHA, this will no longer be the case as payment will normally be to the tenant, who should then pay the landlord. There will be exceptions to this rule, these being tenants who are 8 weeks or more in arrears with their rent, tenants who are unlikely to pay their rent and tenants deemed unable to manage their own affairs. As stated previously, it is the intention to pay the LHA directly into a claimant or landlord's bank account.
- 4.12 Impact on Claimants:-
- Less complicated procedure and quicker processing time.
  - Where the LHA is more than the rent charged, the claimant will receive extra income up to a maximum of £15 per week.
  - Unless the claimant falls into one of the excepted circumstances, benefit will be paid direct to claimant's bank account.
  - Claimants may require money advice to set up bank account.
  - Greater certainty about what benefit is likely to be paid.
- 4.13 Impact on Landlords:-
- Less complicated procedure and quicker processing time.
  - Potential shortfall on rental income due to non-payers and arrears.
  - As the LHA levels are published, landlords may increase rents to reflect these levels.
  - Landlords may leave the rental market
- 4.14 Vulnerable Claimants:-
- A policy document setting out the procedures and processes for dealing with vulnerable claimants in this type of accommodation will be brought before members for approval.
- 4.15 Promoting LHA:-
- Information leaflets are being prepared for both landlords and tenants and will be distributed in the near future. A "frequently asked questions" booklet is also being prepared. The Council's website will also be updated with all the relevant information.
- 4.16 Advertising LHA:-
- An advertising campaign will be run in the local media in the lead up to the introduction of LHA and information posters will be displayed at all appropriate sites.
- 4.17 LHA and Financial Inclusion
- The Revenues Division is in consultation with local banks seeking their co-operation in assisting our mutual customers in setting up basic bank accounts.

## **5.0 POLICY IMPLICATIONS**

This report has been screened for any policy implications in respect of Sustainability, Strategic Environmental Assessment, Anti-Poverty, Equality Impact Assessment and Risk Management and no issues have been identified.

## **6.0 CONSULTATIONS**

The Chief Executive, Depute Chief Executive (Support Services), Depute Chief Executive (Finance) and Head of Finance.

## **7.0 BACKGROUND PAPERS**

None

D K Dorward Depute Chief Executive (Finance)	Date:	
---	-------	--

chwp\reports\657-2007