



# Local Housing Allowance Planning for the change....



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# Seminar Outline

- Seminar is designed to;
  - Give an overview of the new provisions for Local Housing Allowance
  - Examine the new legislation
  - Allow all parties to have an understanding of the scheme
  - Examine what has happened so far with other LAs
  - Highlight potential problems & issues that may arise
  - Allow for discussion and ideas...at an early stage

# Background

- October 2002 CG announced a programme of reform to Housing Benefit
- Trial of a standard LHA scheme in eighteen Pathfinder areas.
- *Building choice and responsibility: a radical agenda for Housing Benefit.*
- Claimants in the Pathfinder areas receive a LHA based on the
  - area in which they live, and
  - number of occupiers in their property
- Entitlement to the LHA subject to a normal means-test for HB and must meet full evidence standards.
- The payment will **normally** be to the tenant rather than to the landlord.....by BACS

# Aims of the LHA

- CG has stated that there are a number of key aims for the LHA such as
- **Fairness:**
  - New scheme designed to pay the same amount to tenants with similar circumstances living in the same area.
- **Choice:**
  - Allows tenants to trade between the quality and price of their accommodation.
  - For example, tenants will be able to choose between paying more to stay in a property that is larger than they qualify for under the size criteria or increasing their after-housing-costs income by moving to a less attractive house.
- **Transparency:**
  - Scheme makes it easier for tenants to find out in advance how much rent could be covered by HB
  - Major flaws with existing PTDs

# Aims of the LHA

- **Personal responsibility:**
  - Encourage claimants to take responsibility for budgeting for and paying their rent themselves.
  - ‘Welfare responsibility’
- **Simplicity:**
  - No longer be a need for the complex rent restrictions and individual referral of rents to rent officers.
  - Currently 4 schemes running – complex for Benefit Officers and customers

# The Pathfinders

- **2003 – 2004**
  - Blackpool
  - Lewisham
  - Coventry
  - Teignbridge
  - Brighton & Hove
  - Edinburgh
  - NE Lincolnshire
  - Conwy
  - Leeds
- **2005**
  - Wandsworth 11 April
  - South Norfolk 6 June
  - Guildford 4 July
  - East Riding of Yorkshire 18 April
  - Norwich 13 June
  - Salford 25 July
  - St Helens 23 May
  - Pembrokeshire 20 June
  - Argyll and Bute 30 May
- Rules broadly the same but some significant differences
- Key difference
  - roll out method
  - Limited amounts

# Scope of the initial LHA

- LHA scheme initially only applies to HB claimants in the deregulated private sector
- **A number of cases exempt (exempt tenancies)**
  - Registered Social Landlord tenancies - these currently only have to be referred to the rent officer where felt to be unreasonably expensive
  - Protected cases, such as supported housing provided by certain local authorities, social landlords, charities and voluntary organisations
  - Tenancies that are excluded from current rent restrictions, such as
    - Rent Rebate cases – Local Authority tenancies
    - Regulated tenancies prior to 15th Jan 1989
    - Other Regulated Tenancies (Rent Act 1977 or Rent (Agriculture) Act 1976)
    - Home Office bail hostels or probation hostels
    - HAT lets (Housing Action Trust)
    - Former LA tenancies now transferred unless rent has been increased and felt to be unreasonable

# Scope of the Initial LHA

- Exemptions continued...
  - exceptional cases, i.e. caravans, houseboats (including mooring charges), mobile homes and hostels
  - cases where the rent officer judges that a substantial part of the rent is attributable to board and attendance, e.g. hotel accommodation

# Basis of LHA

- Regulations set out when and how authorities must calculate a maximum rent (also known as standard local rate).
- A claimant's maximum rent will be the LHA that they are entitled to.
- No requirement for the Rent Officer Service to examine every property and decide what level of rent is eligible for HB in each case.
- The maximum rent will normally be the claimant's eligible rent for benefit purposes

# When will cases be affected?

- LHA day is 1<sup>st</sup> April 2008
- Not all (non exempt tenancies) will be affected by LHA straight away
- LHA will not apply where a ROD is already in place- will only affect cases where the following occurs after the roll out date (1<sup>st</sup> April 08)
- Those affected will be;
  - New Claims – date of claim after roll out
  - Breaks in HB.....effectively a new claim
  - Changes in Circumstance – Change of address after roll out date

# What about the rest of the Rent Allowance cases

- Carry on under the previous arrangements
- Rent Officer referrals still required for Rent Officer Determinations.....
- Anniversary dates
- Relevant changes ...except changes in address

# Calculation of LHA

# Size is important!

- The LHA that a tenant will qualify for will depend on the number of occupiers and the area in which they live.
- The size criteria determines the appropriate number of rooms that the occupiers qualify for
- ROS website calculator
- Size criteria allows for every occupier
  - Claimant / partner
  - Claimants benefit family
  - Everyone else who would normally reside there
    - Non Deps
    - Boarders
    - Joint Tenants
    - Carers etc
  - Child – split parents – considered to be in the home of the parent who is ‘responsible’ for him/her – typically receives CB



# Size Criteria – General Roll Out

- One bedroom shall be allowed for each of the following categories of occupier (and each occupier shall come within only the first category which applies to him)—
  - (a) a couple
  - (b) a person who is not a child;
  - (c) two children of the same sex;
  - (d) two children who are less than 10 years old;
  - (e) a child.

# Size Criteria – General Roll Out

- The categories of dwelling for which a rent officer is required to determine a local housing allowance are—
  - (a) a dwelling where the tenant has the exclusive use of only one bedroom and where the tenancy provides for him to share the use of one or more of—
    - (i) a kitchen;
    - (ii) a bathroom;
    - (iii) a toilet; or
    - (iv) a room suitable for living in;
  - (b) a dwelling where the tenant (together with his partner where he has one) has the exclusive use of only one bedroom and exclusive use of a kitchen, a bathroom, a toilet and a room suitable for living in;
  - (c) a dwelling where the tenant has the use of only two bedrooms;
  - (d) a dwelling where the tenant has the use of only three bedrooms;
  - (e) a dwelling where the tenant has the use of only four bedrooms;
  - (f) a dwelling where the tenant has the use of only five bedrooms.
  
- Greater number of bedrooms specific request to the ROS

# Under 25s – Young Individuals

- **Single claimants aged under 25 years**
  - Entitled to the standard rate for a room in shared accommodation.
  - This new shared rate will be based on properties where, while the tenant has a room or bedsit of their own, all or some of the facilities are shared, eg kitchen/facilities for cooking, bathroom and toilet, and a room suitable for living in.
  - Does not apply to person who
    - Receives Severe Disability Premium or
    - Has a Non Dependant

# How will the LHA be calculated by the ROS?

- The ROS will need to establish the Broad Rental Market Area
- The BRMA is an area
  - made up of two or more distinct areas of residential accommodation,
  - within which a person could reasonably be expected to live, having regard to facilities and services for the purposes of health, education, recreation, personal banking and shopping, taking account of the distance of travel (by public and private transport) to and from facilities and services of the same type and similar standard, and
  - containing residential premises of a variety of types, and including such premises held on a variety of tenancies
- Rent officers required to define the BRMA that an LHA will cover.
- Areas must be postcode-definable.

# Setting & Providing the LHAs

- The rates are based on the mid-point between the highest and lowest value for properties of a given size in any area.
- Between 3-5 working days before the end of each month the rent officer will send each authority a list of LHAs for the following month for each BRMA falling totally, or partially, within the area of that LA.
- **Figures must then be published**, and all claims made within a month would be based on the same figures.

# Setting & Providing the LHAs

- Rent officers will routinely provide rates for all property sizes up to five bedrooms,
- RO will also be required to provide rates for larger properties if they
  - are asked to do so by a LA authority because that authority has received a claim or an LHA pre-tenancy request for a larger property
  - consider that larger house sizes are likely to be needed by benefit claimants in the area
- Figures should be published in the normal way, and the rate would be valid for all claims relating to that size property in that month.
- LHAs & BRMAs should be made available to those members of the public who need to see them
- LHAs will be set each Month

# How much will the claimant receive

- Depends on income / capital/ household etc
- Maximum Rent
  - If Rent > LHA – Calculation based on LHA
  - If LHA = Rent – Calculation based on LHA
  - If Rent < LHA - Calculation based on Rent plus £15 per week as long as difference between Rent & LHA is £15 or more...if not then calculate based on Rent plus difference

# How long will the tenant receive LHA for?

- **Length of LHA awards**
- Once an LHA has been used to establish a claimant's maximum rent, it will apply from the date of claim and continue to apply for a year unless an update is triggered by a *relevant* change of circumstances
- This new regulation makes clear that a claimant's maximum housing benefit **can last no longer than a year without being updated.**
- The changes to regulations say that an eligible rent based on an LHA *can only be updated at the anniversary of the date the original LHA was based on*, unless an update is triggered by a *relevant* change in the claimant's circumstances.

# Relevant changes in circumstance

- Two circumstances in which the eligible rent might be updated with a new LHA mid-year;
  1. If a change occurs which might entitle the claimant to a different category of allowance, e.g if there was a change in the number of occupiers.
  2. If the claimant's rent rises and provision for this increase was included in the original tenancy agreement at the time the benefit claim was made.  
*(In both of these cases, the new LHA for the month when the change happens would be applied)*

# Protection

- **Two basic levels of protection** – where a claimant can have their eligible rent protected at a higher rate.
  1. For the first 13 weeks of their claim if they were previously able to pay the rent without the help of Housing Benefit - This is the same as the current rules
  2. For a year following the death of a relevant person. - This is the same as the current rules

# Paying LHA

- **LHA will normally be paid to the claimant rather than to the landlord.....by BACS.**
- Authorities will have **discretion** to make payment to the landlord if they consider
  1. that the tenant is likely to have **difficulty managing their own affairs (vulnerable)**. For example, if tenant is known to have a learning disorder or a drug/alcohol problem that would mean they are likely to have difficulty handling a budget, payment could be made to the landlord
  2. **it is improbable that the claimant will pay their rent.** For example, if the authority is aware that the tenant has consistently failed to pay the rent on past occasions without good reason, payment **might** be made
  3. LA **will** be required to pay landlord if a tenant
    - has built up rent arrears of eight weeks or more, or
    - is having deductions from their IS or JSA to pay off rent arrears
    - If this occurs, the LA will have **discretion** to continue paying direct to the landlord when the level of arrears drops to below eight weeks.

# Paying LHA

- LA must regularly review cases where direct payment has been made or where arrears have been cleared.
- Rarely should direct payment be made in perpetuity.

# Identifying Vulnerable Tenants

- Vulnerability not actually used as a word in the regulations, but for the purposes of LHA, it means a description of an LHA claimant who, *the authority considers...is likely to have difficulty in managing his affairs*
- Before deciding whether a claimant meets the criteria of vulnerability, LA will first need to identify potential cases.
- LA not be expected to be pro-active in identifying someone as potentially vulnerable, although there may be occasions when HB staff will be aware of a claimant's history through previous dealings or hold records, and **may** choose to act on that knowledge.
- Sources of Information
- Indicators of vulnerability

# People unlikely to pay their rent

- **Who is an ‘unlikely payer’?**
- The regulations indicate that direct payments can be made where ‘the pathfinder authority considers that it is **improbable** that the claimant will pay his rent’.

# Appeals & Redeterminations

- **BRMA & LHA Level**
  - There is **no** right of appeal or redetermination about the levels of LHA, or the Broad Rental Market Areas (BRMA) on which they are based.
  - Not individual but for all.
- **Appeals against decisions on direct payment of HB**
  - Any decision made relating to direct payment of HB will be appealable by the person who has made that claim or referral

# Lessons from the pathfinders

- **Payments**
  - 91% of claimants paid direct & 70% by BACS...and rising.....they had a choice
- **Vulnerability etc**
  - Working with other agencies for evidence
- **Landlords /Arrears**
  - Need for extensive communication
- **Impacts on HB**
  - Improvements in processing times
- **Impact on ROS**
  - Reduction in work
  - ROS now approaching landlords & letting agents
- **Impact on Advice Service**
  - Need for more advice
- **Impact on claimants**
  - More money in benefits in pathfinder areas
  - Some movement through choice
  - No indication that Landlords not letting to claimants

# The future

- Full roll out 2008 – PT
- Social Sector ...H.As RSLs 2010 ?
  - Public Rented Sector.....2011?
- Watch this space!

# Questions & Comments

- Your opportunity to ask questions and make comments to all LA.s....