

REPORT TO: POLICY COMMITTEE ON 5TH MARCH 2008

SUBJECT: LOCAL HOUSING ALLOWANCE

BY: CHIEF FINANCIAL OFFICER

1. REASON FOR REPORT

- 1.1 To inform members of a significant change to the way Housing Benefit is worked out for tenants renting accommodation from a private landlord and to consider the draft vulnerability policy in relation to safeguarding the interests of tenants and landlords.
- 1.2 This report is submitted to Committee in terms of Section A(46) of the Council's Administrative Scheme relating to policy formulation.

2. RECOMMENDATION

2.1 It is recommended that the Committee:-

- (i) note the content of this report and**
- (ii) approve the draft vulnerability policy proposed to safeguard the interests of both tenants and landlords.**

3. BACKGROUND

- 3.1 The Local Housing Allowance (LHA) is part of the Government's agenda for the overall reform of Housing Benefit, and has been introduced in nine Pathfinder areas for tenants in the private rented sector.
- 3.2 This report gives brief details of the scheme and the objectives behind its introduction.

4. THE LOCAL HOUSING ALLOWANCE

- 4.1 The LHA is a flat-rate allowance towards rent costs that is calculated on the basis of the circumstances of the tenant (such as household size) and the broad area in which they live. LHA will be paid to the tenant, rather than directly to the landlord, except in cases where vulnerability means that tenants are unlikely to be able to manage their financial affairs, or where tenants have fallen into arrears.

5. OBJECTIVES OF THE LHA

5.1 The main objectives for the LHA are as follows:

- **Fairness:** The new scheme has been designed to pay the same amount to tenants with similar circumstances living in the same area. This differs from the existing Housing benefit scheme, which ties the level of benefit to the rent actually being paid (subject to a range of restrictions applied by a rent officer)
- **Choice:** The intention is to allow tenants to trade between the quality and price of their accommodation. For example, since LHA is a flat-rate payment, 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 property with a lower rent. Currently, tenants only receive benefit up to what they have to pay as their rent.
- **Transparency:** LHA will make it easier for tenants and landlords to find out in advance how much rent could be covered by Housing Benefit. Currently, tenants often find that Housing Benefit could not meet their rent only after they have already signed a tenancy agreement.
- **Personal responsibility:** The intention is that paying the allowance to the claimant will encourage them to take responsibility for their budgeting and paying their rent themselves rather than have it paid for them. Currently, the majority of rent payments are made direct to the landlord.

6. THE LHA IN MORAY

- 6.1 It is generally accepted that the scheme will be fairer and more transparent than the current scheme, although it should be noted that entitlement still depends on the income and savings of the claimant.
- 6.2 The objective of the tenant having the opportunity to trade between quality and price of accommodation may very well be limited as there may be few options available due to the shortages of accommodation in Moray.
- 6.3 Paying the allowance to the tenant has raised concerns amongst private landlords that their tenant will not pass over the amounts due for rent. Whilst safeguards will be put in place to minimise such events, the new way of working will increase the risk. **APPENDIX A** sets out the policy it is intended to use to help minimise this risk. Private landlords, homelessness and housing staff as well as trading standards and the citizens advice bureau have been consulted on the policy. Work is on-going to establish referral processes to achieve a joined-up approach to minimising the risks.

- 6.4 LHA will be phased in from 7th April 2008, and it is estimated that approximately ten applications per week will be calculated on the basis of the new scheme. Whilst this makes it a manageable implementation when compared to the impact of a big bang approach, the downside is that the benefit processing staff will be required to process private sector claims under two quite different schemes for the next few years.

7. SUMMARY OF IMPLICATIONS

(a) Corporate Development Plan/Community Plan/Service Improvement Plan

The introduction of LHA is part of the Revenues Service improvement plan.

(b) Policy and Legal

The introduction of LHA forms part of the Government's welfare reform agenda. The LHA vulnerability policy is attached for approval.

(c) Resources (Financial, Risks, Staffing and Property)

The Department for Work and Pensions provided funding towards the changes required to software and the implementation of the project. On an operational basis the work will be performed within existing budgets.

(d) Consultations

Consultation on the introduction of LHA has been conducted with the following groups :

- Private Landlords
- Homelessness Strategy Group
- Housing Strategy Group
- Trading Standards
- Citizens Advice Bureau

Private sector tenants currently in receipt of Housing benefit have been issued with leaflets explaining the new scheme.

8. CONCLUSION

- 8.1 The change to the LHA system of providing financial support for rented accommodation will be phased in over the next few years. The change will commence on 7th April and from this date the Council needs to have in place a new policy to safeguard the interests of tenants and landlords operating within this new regime.

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Background Papers:

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