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Local Housing Allowance



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What is changing

- In April 2008, there will be changes to Housing Benefit for private tenants with the introduction of Local Housing Allowance
- Implications for landlords



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Summary of this presentation

- Why are these changes being introduced?
- Pathfinder schemes
- When will it start
- Which Housing Benefit claims are affected
- How LHA rent levels will be calculated
- Payment to tenant
- When will Housing Benefit be paid to the landlord



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Why are these changes being introduced?

- The government has introduced these changes
- The Housing Benefit legislation has changed and we must introduce these changes next April
- Housing Benefit criticised as complex, doing little to promote personal responsibility
- It creates barriers to work
- Housing Benefit does little to assist tenants to develop essential financial and budgeting skills



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The Pathfinder authorities

Tried and tested in 18 LA's nationally:

- Blackpool
- Lewisham,
- Coventry,
- Teignbridge,
- Brighton,
- Conwy,
- Edinburgh,
- Leeds
- NE Lincs
- Wandsworth
- East Riding of Yorkshire
- St Helens
- Argyll and Bute
- South Norfolk
- Norwich
- Pembrokeshire
- Guildford
- Salford



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When will it start

- The LHA scheme will start in Derby from **8 April 2008**



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Which Housing Benefit claims will be affected

Local Housing Allowance will only affect:

- New claims
- Change of address
- Break in claim



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Which Housing Benefit claims will not be affected

Local Housing Allowance will not affect:

- tenancies with registered social landlords
- protected cases, such as supported housing provided by certain local councils, registered social landlords, charities and voluntary organisations
- tenancies that are excluded from current rent restrictions



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Which Housing Benefit claims will be affected

- Existing claims will run continue to be paid on the current scheme after 8 April 2008
- This means that claims dealt with under the current scheme will run side by side with LHA for a while



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How does the current Housing Benefit scheme work?

- Currently each Housing Benefit claim from a private tenant is referred to The Rent Service.
- The Rent Service make a unique decision based on the value of accommodation and personal circumstances of the claimant and family



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How does the current Housing Benefit scheme work?

- The Housing Benefit is paid at the level set by the Rent Service.
- The tenant must make up the difference between the figure set by the Rent Service and the Rent they are charged
- They can apply for a Discretionary Housing Payments to make up the difference
- Housing Benefit is paid to the tenant or landlord



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How does the new LHA scheme work?

- Broad Rental Market Area
- LHA set each month
- Flat Rate According to Household Size & Location
- Set locally by Rent Officers based on Local rents
- Rates Published so Tenants know how much will get
- Clearer for Tenants & Landlords



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What is the Broad Rental Market Area?

- Rent Officers will give a range of LHA levels for each Broad Rental Market Area
- We do not know yet whether Derby will be one area or whether it will be split into a number of areas.



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How does the new LHA scheme work?

- The LHA level has is not linked to the accommodation the tenant is occupying
- The benefit is calculated based on The LHA level whether this is lower ***or higher*** than the actual rent charged up, to a cap of £15.00.
- This means that the customer can be paid LHA at a level that is actually ***more than*** the rent they are charged and keep the difference up to a limit of £15.00.



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How does the new LHA scheme work?

- **Example 1: Tenant whose LHA is less than the rent charged**
 - Rent charged - £75
 - LHA - £60
 - Shortfall - £15
- In this example, the tenant's rent is £15 more than their LHA.
- They will have to make up the difference between the LHA of £60 and their rent charge of £75.



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How does the new LHA scheme work?

- **Example 2: Tenant whose LHA is more than £15 higher than the rent charged**
 - Rent charged - £75
 - LHA - £100
 - Excess - £25
- The tenant's LHA level is £25 higher than the rent they are charged.
- The new LHA scheme imposes a limit of £15, which we can pay above the LHA.
- The total amount of benefit we can pay in this case is £90 (£75 + £15).
- The tenant will be able to keep only £15 of the difference.



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How does the new LHA scheme work?

- **Example 3: Tenant whose LHA is up to £15 higher than the rent charged**
 - Rent charged - £75
 - LHA - £85
 - Excess - £10
- In this example, the tenant's LHA is £10 more than the rent they are charged.
- The excess in this case is less than the limit of £15.
- The total amount of benefit we can pay in this case is the full £85 of the LHA.
- The tenant will be able to keep the £10 excess themselves.



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How is the LHA calculated?

- **The Rent Service holds a database of rent levels.**
- **Each month the Rent Service will send us a range of LHA levels for the area**
- **Each LHA level will be based on the mid point of a range of rents in that database.**
- **A LHA rate will be given for each of a range of property types.**
- **The property types are based on the number of bedrooms**



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How is the LHA calculated?

- **Your tenant is entitled to one bedroom for:**
 - every adult couple (married or unmarried)
 - any other adult aged 16 or over
 - any two children of the same sex aged under 16
 - any two children regardless of sex aged under 10
 - any other child.



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How is the LHA calculated?

- **The LHA used will be based on the number of rooms considered appropriate for the claimant and their family, regardless of the property they actually occupy**
- **For example – If the Housing Benefit claimant is one of a couple with no children they will get the LHA rate for one bedroom, even if the accommodation they occupy is a 2 bed room house**



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Examples of how the LHA category is decided

Family circumstances	LHA category
Single person under 25	Shared accommodation
Couple with no children	1 bed roomed accommodation
Couple with 2 children aged 6 and 8	2 bed roomed accommodation
Couple with 2 children one boy aged 13 and one girl aged 15	3 bed roomed accommodation
Couple with 2 children both boys aged 13 and aged 15	2 bed roomed accommodation
Couple with 2 children one boy aged 13 and one girl aged 15 and a non dependant adult	4 bed roomed accommodation



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Example of LHA levels using fictitious figures

LHA category	Broad Market Rental Area	
April 2008	Area 1	Area 2
Shared accommodation	£50.00	£52.00
1 Bedroom	£62.00	£67.00
2 Bedroom	£77.00	£82.00
3 Bedroom	£86.00	£91.00
4 Bedroom	£105.00	£110.00



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Changes to the way Housing Benefit will be paid under LHA

- Under the LHA, there will be no routine direct payments to landlords.
- Councils must pay the benefit directly to the **tenant**.



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Circumstances where benefit can still be paid to the landlord

- If we believe the tenant is likely to have difficulty managing their own affairs - for example, if the tenant has a learning disability or a drug or alcohol problem that would mean they may have problems managing a budget.
- This is known as the 'vulnerability' rule



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Circumstances where benefit can still be paid to the landlord

- If we believe the tenant is unlikely to use their allowance to pay their rent - for example, if the council knows the tenant has consistently failed to pay their rent in the past



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Circumstances where benefit can still be paid to the landlord

- When the LHA has been backdated or there has been a delay in processing a claim and the council has to pay a large amount of benefit.
- In this case, the council can make the first payment of LHA by cheque payable to the landlord - although the council would send it to the claimant to pass on



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Circumstances where benefit can still be paid to the landlord

- If the tenant has built up rent arrears of eight weeks or more



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Preparation in Derby

- Staff training
- Computer software
- Vulnerability policy
- Involvement with landlords