

Item 11

CABINET

REPORT OF THE DIRECTOR OF RESOURCES

14 FEBRUARY 2008

Portfolio: SOCIAL REGENERATION AND PARTNERSHIP

LOCAL HOUSING ALLOWANCE

1. SUMMARY

- 1.1 The present housing benefit scheme is considered by its critics to be too complex, contributing little towards encouraging personal responsibility. It is perceived by some to be a barrier to helping claimants back to work, whilst doing little to assist tenants to develop financial and budgeting skills.
- 1.2 The government through the Department for Work and Pensions (DWP) is attempting to address these issues by introducing a Local Housing Allowance (LHA), which has been piloted since 2003 through 18 local authorities.
- 1.3 The DWP considers that the pilot schemes have been successful and LHA is therefore to be introduced to all Councils from 7th April 2008. It will replace the current system whereby individual private sector rents are referred to the Rent Officer Service (ROS) to determine the level of rent at which benefit is paid. This report outlines the LHA scheme and its impact on the Benefit Service.

2. RECOMMENDATION

- 2.1 That the report be received and the changes to the housing benefit scheme noted.

3. BACKGROUND

- 3.1 The housing benefit scheme has been criticised as being too complex and doing little to promote personal responsibility. It is sometimes perceived as a barrier to helping claimants back to work and doing little to assist tenants to develop essential financial and budgeting skills. The DWP is endeavouring to address these issues by introducing LHA.
- 3.2 LHA will apply only in the private sector excluding Registered Social Landlords from 7 April 2008:
 - for new claims
 - where there is a change of address to a private sector tenancy

- where there is a break in a claim.
- 3.3 Existing claims and claims where there is a change in circumstances other than those above will continue to be paid under the current scheme. It is anticipated however, that tenants and landlords will endeavour to create a change in order to take advantage of LHA in cases where it is higher than the amount of housing benefit being paid.
- 3.4 Currently the ROS determines the level of rent for housing benefit based on location and the claimant's needs in terms of house size, family size, etc. From April 2008, the ROS will determine Broad Rental Market Areas (BRMAs) on a monthly basis according to a more general location and the number of bedrooms. Rents in Newton Aycliffe, Woodham and Middridge will be in the Darlington BRMA. The rest of Sedgefield Borough will be in the South Durham BRMA. The BRMA rates will be published so that tenants and landlords can anticipate how much benefit will be paid. The DWP considers that this will make housing benefit clearer to tenants and landlords. Single claimants under 25 have their eligible rent restricted under the current system and this will continue with LHA.
- 3.5 LHA will be paid to the tenant unless it is determined by Benefits staff that they are vulnerable because of social circumstances or that they are likely not to pay the rent to the landlord. There will be safeguards for tenants who are unable to take responsibility for the payment of rent. Such cases can be referred by the landlord, a relative, a friend or another third party and each will be assessed on its own merits in accordance with new processes that have been developed. Cases will be reviewed regularly with a view to helping tenants to look after their own affairs. Most landlords prefer housing benefit payments to be made direct to them and it is anticipated that many will try to prove that their tenants are vulnerable. This will have an impact on Assessment and it is considered in paragraph 4 below.
- 3.6 In some cases LHA will exceed the contractual rent. In such cases, the tenant will be allowed to keep up to £15 per week of the excess. In other cases, LHA will fall below the level of the contractual rent. The claimant may then apply for Discretionary Housing Payments (DHP). The DWP makes an annual allowance to Councils to cover payments of DHP. However, in 2006/07, there was a significant call on the allowance of £16,962 and the Council topped it up by £3,000 to meet the shortfall. Provision of £10,000 has been made to top up the 2007/08 allowance of £17,204 and there is currently £496 left after commitments to 31 March 2008. The funding for 2008/09 is not yet known. New processes have been developed for determining whether DHP should be paid to a tenant. However, in cases where DHP is refused, the tenant will either have to pay the shortfall or negotiate a reduced rent with the landlord.

- 3.7 Arrangements have been made since October 2007 to advise tenants, landlords and other stakeholders about LHA in a number of ways:
- Benefits staff attending Landlord Forums
 - Advertising is being arranged jointly with neighbouring Councils
 - Mail shots and updates sent to claimants and landlords
 - Arrangements have been made with the Citizens Advice Bureau (CAB) to assist claimants to set up basic bank accounts
 - Information and updates on the Council's website
 - Presentation to Prosperous Borough Strategic Working Group
 - Articles in Inform
- 3.8 The DWP recognises that there will be costs associated with the introduction of LHA, eg for software changes, training and publicity. It has therefore made rollout funding available to Councils and Sedgefield Borough's share is £119,202.

4. IMPACT ON THE BENEFITS SERVICE

- 4.1 It is anticipated that LHA could eventually affect up to 1,300 claims based on the current caseload but it is not possible to estimate how many LHA cases there will be from 7 April 2008. As indicated in 3.3, it is likely that landlords and tenants will engineer a change where it appears that more benefit will be paid.
- 4.2 The DWP intends that LHA will generally be paid to the tenant. However, there are to be safeguards for tenants who are unable to manage their affairs and those who are unlikely to pay the rent to the landlord. Where there is evidence that a tenant falls into one of these categories, payment can be made to the landlord.
- 4.3 Under the current system most landlords receive direct payments because the tenant requests this and it is anticipated that landlords will seek to continue with direct payments. This is likely to mean that many applications will be made within the provisions of the safeguards referred to in 3.5. Evidence will have to be gathered in each case in order to make a decision in accordance with new processes that have been developed. The number of applications cannot yet be determined but there is likely to be an adverse impact on assessment work.
- 4.4 There is a need for a welfare visiting role in the Benefits Service to assist with the completion of some claims and the gathering of supporting documentation. Currently, three Assessors carry out welfare visits voluntarily but this has proved to be insufficient for the demand and it is likely only two of the Assessors will volunteer in future.
- 4.5 DHP are currently determined by the Senior Assessor and appeals are dealt with by the Principal Benefits Officer. New processes have been developed setting out revised, more transparent procedures.

- 4.6 The Service has been slightly restructured to accommodate the additional welfare duties that LHA will require.

5. CONCLUSION

- 5.1 Although the aim of the DWP is to simplify housing benefit, LHA will mean that the Benefits Service has to administer another scheme on top of existing schemes from April 2008. Also, claimants and landlords will have to be advised about how potential changes would affect entitlement and this will be achieved in a number of ways both in the lead up to implementation and afterwards.
- 5.2 A number of Councils have acted as pathfinders over the last four years and the new system has been modified to reflect their experiences. Benefits staff are also using the experience of the pathfinders to plan and implement the new system.
- 5.3 The Council has a duty to implement LHA and staffing has been reviewed in order to ensure a smooth implementation while maintaining a good service to the customer.

6. RESOURCE IMPLICATIONS

- 6.1 As indicated in 4.6, the structure of the Benefits Service has been changed slightly to deal with the welfare aspects of LHA.

7. FINANCIAL IMPLICATIONS

- 7.1 The DWP has allocated £119,202 to Sedgefield for the implementation of LHA. The cost of software changes will be £40,000 and the remainder will be spent on advertising campaigns, training and staffing. It is envisaged that there will be no additional cost to the Council.

8. CONSULTATION

- 8.1 The Benefits Service has consulted with Landlords, claimants, other Durham authorities and Neighbourhood Services (Homeless Persons) about the impact of LHA.

OTHER MATERIAL CONSIDERATIONS

9. LINKS TO CORPORATE OBJECTIVES/VALUES

- 9.1 The Benefits Service contributes to the Council's Corporate Value of tackling disadvantage and promoting social inclusion.

10. RISK MANAGEMENT

- 10.1 There is a requirement to introduce LHA for 7 April 2008. The DWP could require the Council to repay the funding of £119,202 if the new system is not operational by that date. Implementation plans have been reviewed at least monthly to ensure that LHA will be introduced on time.
- 10.2 As mentioned in 3.4, Sedgefield will be split into two BRMAs. There is a risk that landlords could question Sedgefield's decisions by comparing them to those of neighbouring authorities. This risk is being mitigated by developing common processes jointly with neighbouring authorities. This practice will also assist with Local Government Review.
- 10.3 Where there is a shortfall in the rent and DHP is not payable, there could be an impact on voluntary bodies such as the CAB having to assist tenants and extreme cases could impact on the Council's Homeless Persons Unit.
- 10.4 There could be a greater call on the DHP fund because of LHA. This risk will be mitigated by topping up the fund for 2008/09 when the amount of DWP funding is known. The balance of the fund will be monitored monthly to identify any further risk.

11. HEALTH AND SAFETY

- 11.1 There are no health and safety issues arising from this report

12. EQUALITY AND DIVERSITY

- 12.1 The new processes referred to above regarding vulnerability and DHP applications will ensure that claimants and landlords are treated fairly.

13. LEGAL AND CONSTITUTIONAL

- 13.1 There are no legal or constitutional issues arising from this report.

14. CRIME AND DISORDER

14.1 There are no crime and disorder issues arising from this report

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Ward(s): Affects all Wards

Key Decision Validation: Not a key decision

Background Papers: None

Appendices None

Examination by Statutory Officers:	Yes	Not Applicable
1. The report has been examined by the Council's Head of the Paid Service or his representative.	<input checked="" type="checkbox"/>	<input type="checkbox"/>
2. The content has been examined by the Council's S.151 Officer or his representative.	<input checked="" type="checkbox"/>	<input type="checkbox"/>
3. The content has been examined by the Council's Monitoring Officer or his representative.	<input checked="" type="checkbox"/>	<input type="checkbox"/>
4. Management Team has approved the report.	<input checked="" type="checkbox"/>	<input type="checkbox"/>