

Local Housing Allowance

Local Housing Allowance (LHA) comes into effect from **7th April 2008**.

Local Housing Allowance is:

- **Housing Benefit** for people on benefits or a low income who rent from private landlords
- A **flat rate allowance** based on the **number and composition of people** in the household **and the area** in which a person lives
- It is **not** based on the **amount of rent** charged

The **amount** of Local Housing Allowance to be paid will **depend on**:

- Who lives with you
- What money you have coming in
- What savings or capital you have

Questions and Answers

- Who will it affect?
- Why has it been introduced?
- Will customers under the old rules be paid the LHA rate if it is higher?
- How will it be calculated?
- How is the size of property needed worked out?
- How will service charges be handled?
- Where can you find out the LHA rates?
- How often will the LHA be reviewed on claims?
- What if the LHA is more than the rent?
- What if the LHA is less than the rent?
- Can you appeal against the LHA rates in a Broad Rental Market Area?
- Who will LHA be paid to?
- Can landlords request direct payment?
- What is the 'fit and proper person' test?
- Can you appeal against a decision on who the benefit is paid to?
- If the landlord wins an appeal for direct payment, will we pay arrears of rent?
- If payment is made direct to landlord, can they also receive any excess over the rent charge?
- Has the scheme been introduced in other areas?

Who will it affect?

Local Housing Allowance affects Housing Benefit claimants living in **deregulated private tenancies** (tenancies created after January 1989).

These claims will be placed on **Local Housing Allowance**:

- **new claims** received on or after 7th April 2008
- **changes of address** effective on or after 7th April 2008
- **existing claims** if there is a **break in the claim** of one week or more after 7th April 2008

All **other claims**:

- will **continue** to be paid calculated on the **current Housing Benefit rules** and
- The Rent Service will continue to carry out **yearly rent reviews** on claims which have a rent officer valuation

Claims which include **Board and Attendance**, will be referred to the **Rent Officer** who will then **decide** if the case should be treated under **Local Housing Allowance** regulations or under the current Housing Benefit Scheme.

The new rules **do not apply** to:

- Local Authority tenants
- Housing Associations tenants
- Tenants who have a registered fair rent
- Tenancies which commenced before January 1989
- Tenancies in caravans, houseboats or hostels
- Supported housing provided by social landlords, charities or voluntary organisations, who also provide care, support or supervision

Why has it been introduced?

The idea of Local Housing Allowance is to **simplify the rules** and to **allow tenants**:

- **financial freedom** and
- **choice** of where they live

It is part of the **government welfare reform** and modernising public services.

The **key objectives** the government intended Local Housing Allowance to meet are:

- Promoting Fairness
- Choice
- Personal Responsibility
- Transparency
- Improving Administration

Promoting Fairness

Allowance will be the same for tenants with similar circumstances within the area.

Choice

A **clear set of allowance rates** that help tenants and landlords know how much financial help is available from the state, so that tenants they can choose:

- to pay more rent for a larger property or
- spend less on housing and
- increase their available income by keeping the difference between LHA and rent, up to £15 per week

Personal Responsibility

Ideally, housing payments should be **paid into claimants' bank accounts** and for them to set up a standing order to pay their rent to their landlord.

- Gives tenants **responsibility for budgeting**
- safe and secure
- provides certainty for landlords that rent will be paid

Transparency

- Easier for tenants and landlords to **know in advance how much** rent benefit can cover.

- Allows a person to move between areas and to **take advantage of employment opportunities.**

Improved administration

No longer have a **complex rent determination** system, which often **delays processing** times.

- helps to speed up administration of housing payments
- gives tenants more confidence when starting a job that any in work benefit will be paid quickly

Will customers under the old rules be paid the LHA rate if it is higher?

No. There is no "better off" calculation.

How will it be calculated?

The Rent Service will give us the Local Housing Allowance (LHA) figures based on amounts of **rent generally paid** for homes with different **numbers of bedrooms** in the area, called a **Broad Rental Market Area (BRMA)**.

- They will set individual **Local Housing Allowance (LHA)** rates for each Broad Rental Market Area (BRMA)
- The range of rents they use **will not include** any **unusually high or low** rents
- The LHA rate used will depend on the number of **bedrooms needed** for benefit purposes

You can contact The Rent Service on-line at www.therentservice.gov.uk

How is the size of property needed worked out?

You are allowed **one bedroom** for any:

- adult couple (married or unmarried)
- adult aged 16 or over
- two children of the same sex aged under 16

- two children under the age of 10
- other child

There will be a rate for the following:

- Shared Room Rate
- 1 Bedroom
- 2 Bedroom
- 3 Bedroom
- 4 Bedroom
- 5 Bedroom

We will not include:

- living rooms
- kitchens
- bathrooms
- other rooms

The **exceptions** to the size rules are:

- People occupying **shared accommodation** will received a shared room rate
- **Single disabled customers** under 25 and getting the Severe Disability Premium will qualify for a higher rate of Local Housing Allowance rather than the shared accommodation room rate
- Any other **Single Person under 25** will always receive the **shared room rate** regardless of what property they occupy

How will service charges be handled?

Ineligible service charges, for example Water Rates that are included in the rent, will no longer be taken into account when calculating Local Housing Allowance. The LHA amount will be based on the full contractual rent charge.

Where can you find out the LHA rates?

We will **publicise** the rates:

- at our **Customer Services Centres**
- on this **Website** and

- you can visit **The Rent Service** website at www.therentservice.gov.uk

How often will the LHA be reviewed on claims?

The Local Housing Allowance rate in payment will be **reviewed each year**, unless there is a change in circumstances which would affect the Local Housing Allowance, for example: the number of household members changing.

A **change in rent** charge **will not affect** the **LHA**.

What happens if the LHA is more than the rent?

If a claimant rents somewhere with a rent below their allowance **they can keep the difference**, up to a **maximum of £15** a week.

What if the LHA is less than the rent?

The tenant will need to pay the difference to the landlord

Can you appeal against the LHA rates in a Broad Rental Market Area?

No. This is because **other people**, who may be happy with the level, **would be affected** by any change to the rates, as it is covers areas not individual cases.

Who will LHA be paid to?

Payments will be made **directly to all claimants** into an account **unless** the claimant:

- Has more than **eight weeks arrears**
- In some cases, where the **Local Authority considers** the **tenant** is likely to have **difficulty in managing their affairs**
- Is unlikely to pay their rent and has a **provable history of not paying** their rent

Can landlords request direct payment?

Not unless at least one of the **above apply**. It is then up to the **Local Authority to decide**, except if there are 8 weeks arrears or more and we decide the **landlord is a 'fit and proper person'**, to receive payment.

A person **cannot be in arrears** for a **period in the future** ie; if rent is charged in advance.

What is the 'fit and proper person' test?

A landlord may not be a 'fit and proper person' to receive benefit payments if they have **been involved in financial impropriety**

for example;

- **fraud**
- knowing **failure to notify** the local authority of a **change in circumstances** that would affect benefit payments
- a history of **failure to pay Council Tax or Business Rates**

or if there is a landlord and tenant **dispute**

Can you appeal against decisions on who benefit is paid to?

Yes. Tenants and landlords can appeal a decision about direct payment to a landlord.

If the landlord wins an appeal for direct payment, will we pay arrears of rent?

We **will not make duplicate payments** of benefit for any period. Any arrears will be between the landlord and tenant.

If payment is made direct to landlord, can they also receive any excess over the rent charge?

Not normally, however if there are **rent arrears**, excess can be paid to the landlord **until the arrears are cleared**. We would need to see current evidence to show the arrears and an application in writing.

Has the scheme been introduced in other areas?

Yes. Local Housing Allowance has been **piloted in 18 Local Authorities** throughout the country and amendments have been made to improve the scheme. The scheme is national and effective from 07th April 2008.

What have been landlords' experiences in these areas?

The Department for Work and Pensions has commissioned **independent research**. So far, there is evidence to show that:

- Landlords are **continuing to rent** properties out **to people on benefit**
- Landlords have accepted automated rent payments by standing order
- The **rental market has remained stable** for benefit customers
- Landlords have both entered and left the Housing Benefit market and there has been **little impact** on the supply of **property available to rent** for benefit customers
- Rent was being paid directly to around 84% of tenants over the 18 authorities, an increase of around 48%