

Benefit Legislation Changes

Local Housing Allowance (LHA) rules from 1 April 2011

Information for Landlords

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Background

- Welfare benefits spending in 2009-10 (including Tax Credits and Pensions) is approximately £185bn
- HB spending has increased from £11bn in 1999-2000 to £20bn in 2009-10
- Reforms aim to achieve £1bn savings in HB by 2014-15 – without reform HB spending is forecast to have reached £24bn by 2015-16

Background

- Ministerial and public perception that HB expenditure is 'excessive' and 'unfair' and that LHA is 'overly generous' - particularly in some areas of London
- HB reforms based on the concepts of 'fairness' and 'sustainability' - i.e. people on benefits should only be able to live in accommodation those in work can afford (and workers should be able to afford accommodation that is available to people on benefits)
- Reforms aim to address a perceived imbalance between low-paid workers and people on benefits by removing 'disincentives' to work and establishing 'incentives' to work – i.e. people should be better off working than they are on benefits

What are the Changes?

- Calculation of LHA Rates based on the '30th percentile'
- Reduction of the 5-bedroom maximum rate to 4-bedrooms
- Capping of all rates to maximum amounts
- End of Excess Payments
- An extra room for some people who require overnight care – for all Private Sector tenants
- Exclusion of single people under 25 who require overnight care from the definition of 'young individual'
- Direct Payment and Tenancy Retention
- Non-Dependant deduction increases
- Minimal increase in DHP funding

Who do the changes effect?

- All new and existing LHA tenants
- All tenants currently entitled to a 5-bed rate or higher
- All tenants currently entitled to excess payments
- Most tenants who change address
- Some private sector tenants who require overnight care
- Tenants not exempt from non-dependant deductions

When do the changes take effect?

- New tenants and tenants who change address are effected from 1 April 2011
- These tenants cannot get more benefit than the rent they pay (i.e. they cannot receive excess payments)
- These tenants are immediately subject to
 - the maximum 4-bedroom rate
 - 30th percentile LHA rates
 - maximum rate capping

When do the changes take effect?

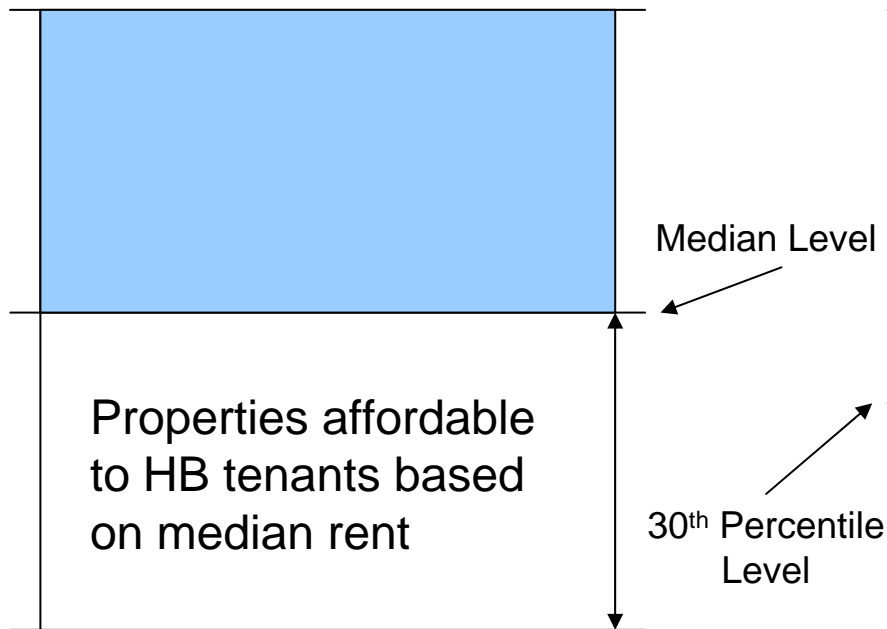
- Existing tenants are effected from their 'Anniversary' date or the date their 'Category of Dwelling' changes (if earlier)
- Some existing tenants may be entitled to 'transitional protection' – but only for a maximum of nine months
- Excess payments are not protected and will end as soon as a tenant's LHA rate changes

Calculation of LHA Rates

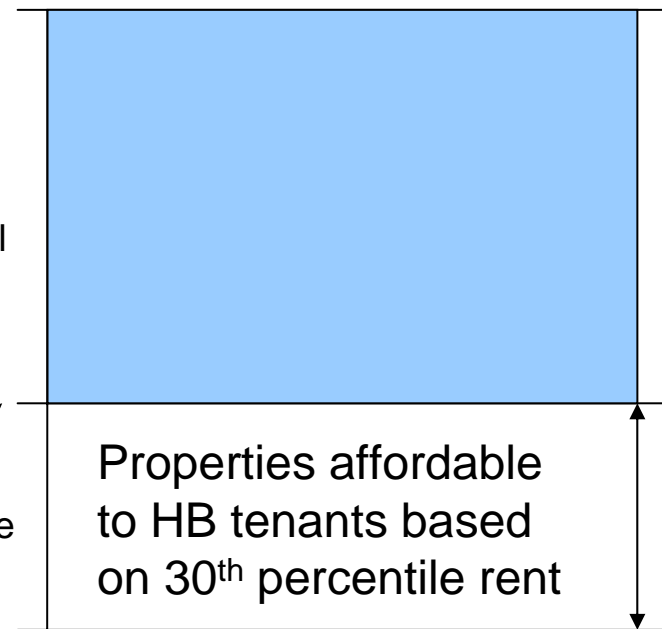
- The way the Rent Officer works out LHA Rates changes from 18 March 2011
- LHA Rates are currently worked out using a 'median' rent – this means 5 in 10 properties would generally be affordable to people on HB
- From April LHA Rates will be based on the rent at the '30th percentile' – meaning that only 3 in 10 properties would generally be affordable to people on HB

Calculation of LHA Rates

- LHA Rate based on Median Rent



- LHA Rate based on 30th percentile Rent



Capping of LHA Rates

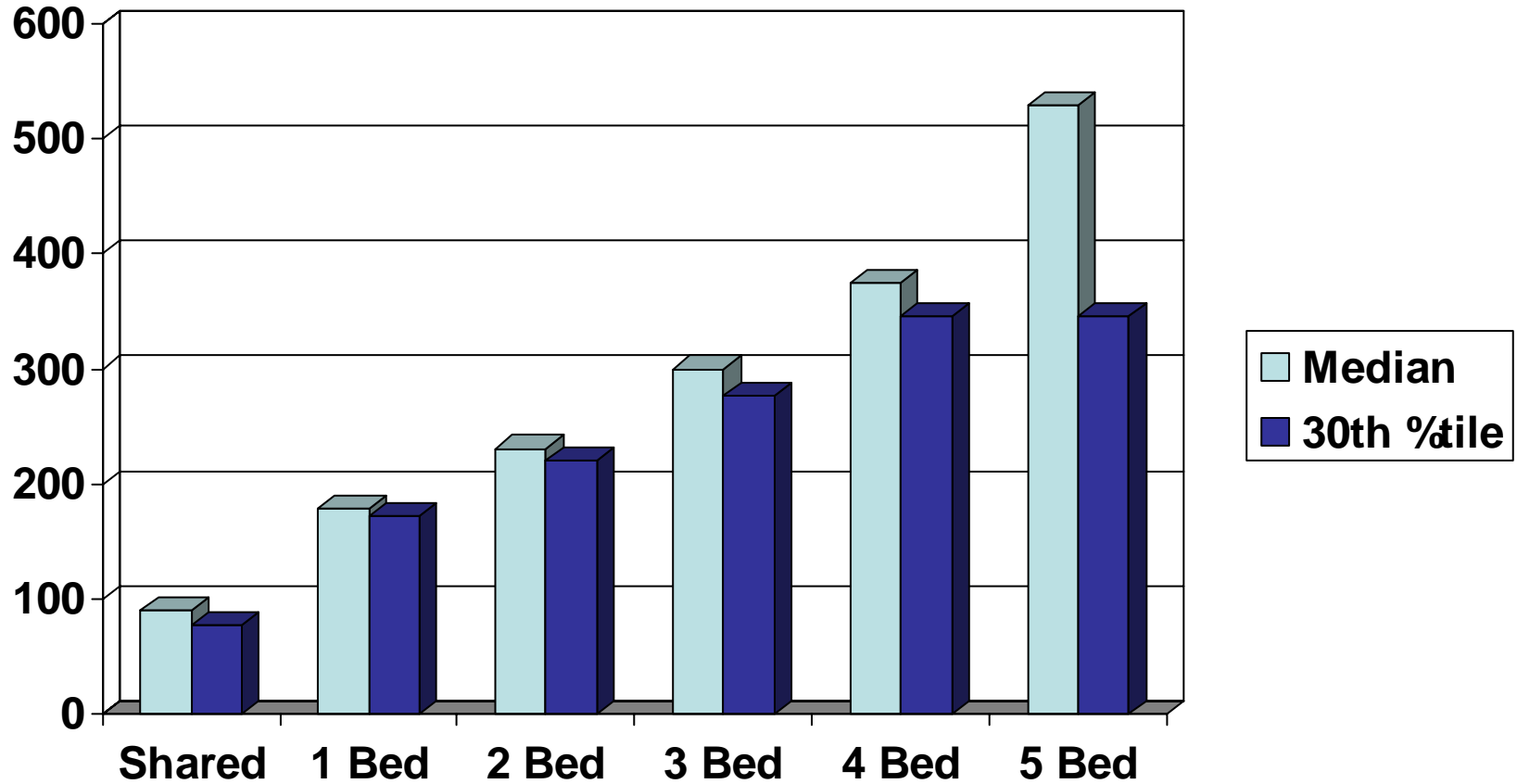
- LHA Rates will be capped to maximum amounts from 1 April 2011
- Maximum amounts apply to all categories of accommodation regardless of the BRMA they fall in
- Capping will restrict LHA Rates to a maximum of 4 bedrooms – and this will be the highest amount anyone can get

Capping of LHA Rates

- The capped LHA Rates from April 2011 will be the lower of either the 30th percentile rate or the rate shown below
 - £250 for a one bedroom property (whether shared or self-contained)
 - £290 for a two bedroom property
 - £340 for a three bedroom property
 - £400 for a four bedroom property
- The maximum rates apply in all cases – regardless of the location of the property – but the 30th percentile rates can differ depending on the BRMA they are in
- LHA Rates cannot exceed a maximum rate - but can be lower when based on the 30th percentile

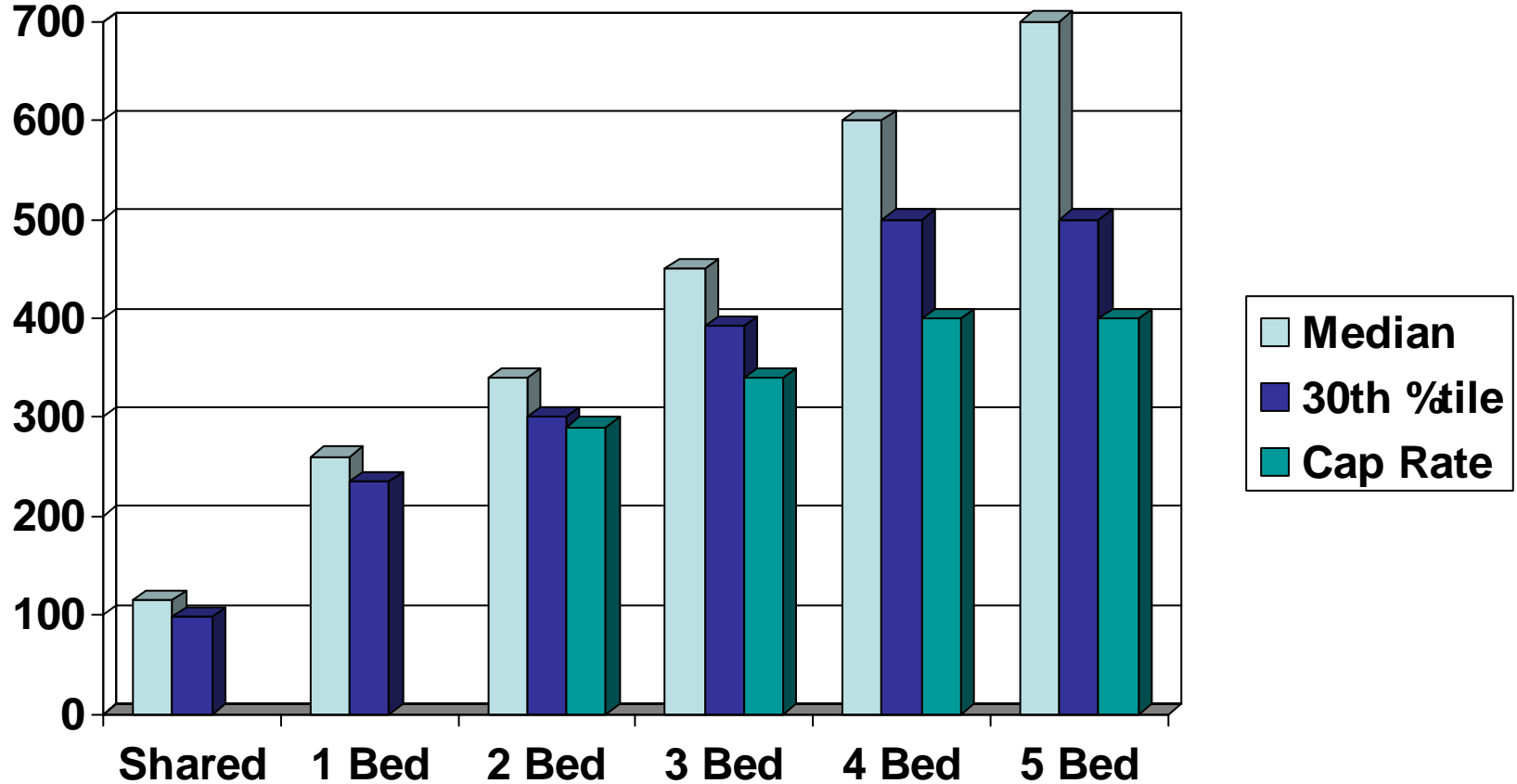
Outer North Rates

January 2011



Inner North Rates

January 2011



Pre and Post April Rates

- **1 Bed Inner North Pre-April LHA Rate – Excess Included**

- Rent = £220.00
- LHA Rate = £260.00
- Amount used to work out HB = £235.00

- **Post-April LHA Rate – Excess Excluded**

- Rent = £220.00
- LHA Rate = £235.00
- Amount used to work out HB = £220.00 (there is no need for TP; this amount will apply until a new rate is set)

- **Shared Rate Outer North Pre-April LHA Rate – No Excess**

- Rent = £110.00
- LHA Rate = £90.96
- Amount used to work out HB = £90.96

- **Post-April LHA Rate – TP Applied**

- Rent = £110.00
- LHA Rate = £77.50
- Amount used to work out HB = £90.96 (TP applied for maximum of 9 months)
- Amount used to work out HB after TP = £77.50 (this amount applies until Anniversary Date – i.e. for a further 3 months – when a new rate must be set)

Pre and Post April Rates

- **5 Bed Outer North Pre-April LHA Rate – Excess Included**
 - Rent = £500.00
 - LHA Rate = £529.00
 - Amount used to work out HB = £515.00
- **3 Bed Inner North Pre-April LHA Rate – No Excess**
 - Rent = £500.00
 - LHA Rate = £450.00
 - Amount used to work out HB = £450.00
- **Post-April LHA Rate – Excess Excluded, TP and Capping Applied**
 - Rent = £500.00
 - LHA Rate = £346.00 (capped at 4 bed maximum)
 - Amount used to work out HB = £500.00 (TP applied for maximum of 9 months)
 - Amount used to work out HB after TP = £346.00 (this amount applies until Anniversary Date – i.e. for a further 3 months – when a new rate must be set)
- **Post-April LHA Rate – TP and Capping Applied**
 - Rent = £500.00
 - LHA Rate = £392.31 (capped at 3 bed maximum of £340.00)
 - Amount used to work out HB = £450.00 (TP applied for maximum of 9 months)
 - Amount used to work out HB after TP = £340.00 (this amount applies until Anniversary Date – i.e. for a further 3 months – when a new rate must be set)

Persons Requiring Overnight Care

- From 1 April some tenants will be entitled to an additional room if they or their partner receive overnight care from a carer who does not usually occupy the claimant's home (i.e. non-resident carers)
- This is subject to specific criteria that must be satisfied for the tenant to be entitled to the extra room
- The provision and criteria applies to both LHA and Rent Officer claims
- Only one extra room is allowed if the tenant, their partner or both of them require overnight care
- The extra room is not allowed if the overnight care is for someone else in the household

Persons Requiring Overnight Care

- Subject to satisfying the relevant criteria the extra room provision will apply to new and existing tenants from 1 April 2011
- There is no time-limit for existing tenants so the extra room can be awarded from 1 April as long as they satisfy the necessary criteria
- Even if a tenants is entitled to the extra room the maximum 4-bedroom cap still applies and cannot be exceeded

'Young Individuals' and Overnight Care

- The definition of a 'young individual' (i.e. single people under the age of 25) has also been amended to include a category of 'person requiring overnight care' in the list of exclusions
- A young individual who requires overnight care but does not otherwise qualify for an extra room (e.g. because they do not have a spare bedroom) will not be restricted to a shared accommodation LHA Rate or a Single-Room Rent Officer rent

Direct Payment to Landlords

- Existing 'safeguard' rules continue to apply as normal
- From 1 April 2011 payments can also be issued directly to you if Haringey determines this will help the tenant obtain or retain a tenancy
- Additional guidance will be provided by the DWP to clarify the appropriate procedure

Non-Dependant Deductions increasing from 1 April 2011

- ND deductions have remained at the same rates since 2001
- The Government has decided to increase deductions so that by 2014 the rates will reach the amounts that would have been reached had annual increases been applied since 2001
- Deductions will rise significantly from April and will continue to increase at a high rate until 2014
- From 2014 deductions will then be included as part of the annual up-rating of benefits

Council Tax Benefit

ND Deductions from 1 April 2011

- In receipt of state Pension Credit = £0.00 (Nil)
- In receipt of IS, JSA(IB), or ESA(IR) = £0.00 (Nil)
- Aged 18 or over **and** in remunerative work
 - gross income greater than £387.00 = £8.60
 - gross income £310.00 - £386.99 = £7.20
 - gross income £180.00 - £309.99 = £5.70
 - gross income £179.99 or less = £2.85
- Others aged 18 or over **and** not in remunerative work = £2.85

Housing Benefit

ND Deductions from 1 April 2011

- Aged 25 or over and on IS/JSA(IB) = £9.40
- In receipt of main phase ESA(IR) = £9.40
- In receipt of Pension Credit = £0.00 (Nil)
- Not in receipt of main phase ESA(IR) = £0.00 (Nil)
- Aged 18 or over and in remunerative work
 - gross income greater than £387.00 = £60.60
 - gross income £310.00 - £386.99 = £55.20
 - gross income £234.00 - £309.99 = £48.45
 - gross income £180.00 - £233.99 = £29.60
 - gross income £122.00 - £179.99 = £21.55
 - gross income £121.99 or less = £9.40
 - Others aged 18 or over **and** not in remunerative work = £9.40

Discretionary Payments

- Additional DHP funding will be provided to assist tenants with their rent but it is not sufficient to address reductions caused by capping and 30th Percentile rates
- Haringey cannot award all tenants DHPs or make awards to cover all circumstances because funds are limited and have to be allocated on a case-by-case basis
- Haringey will strive to prevent homelessness and sustain tenancies as well as aiming to protect and support
 - disabled tenants and pensioners
 - vulnerable tenants and the low-paid
 - tenants with medical or health-related issues
 - families and children

Re-Cap of Changes

- LHA Rates to be capped to maximum rates up to 4 bedrooms
- LHA Rates to be set based on 30th percentile
- Excess payments not available to new tenants and will end for existing tenants as soon as their LHA Rate changes
- Transitional Protection available for existing tenants - subject to specific criteria
- Extra Room included for 'persons who require overnight care' - subject to specific criteria
- Some single people U25 are not restricted to a shared rate or single-room rent if they require overnight care - subject to specific criteria
- Direct Payment to landlords can be considered if it will help a tenant obtain or retain a tenancy – subject to specific criteria
- Non-Dependant deductions to increase steeply over next three years – and will be subject to yearly up-rating thereafter
- DHP fund to increase – but will still be limited and awards will be decided on case-by-case basis

Our Commitment to You

- We are committed to working with you to ensure these changes are managed successfully so we can prevent homelessness, sustain tenancies and maintain the integration and diversity of our communities
- We welcome questions you may have about the changes
- We will keep you updated and informed of any important information