

WIRRAL COUNCIL

FINANCE AND BEST VALUE OVERVIEW AND SCRUTINY COMMITTEE

17 JANUARY 2008

REPORT OF THE DIRECTOR OF FINANCE

LOCAL HOUSING ALLOWANCE

1. EXECUTIVE SUMMARY

- 1.1. This report provides Members with details of the roll out of the Local Housing Allowance, the preparations underway and the likely impact from April 2008. It was presented to the Cabinet on 12 December 2007.

2. THE LOCAL HOUSING ALLOWANCE SCHEME DETAILS

- 2.1. The Department for Work and Pensions (DWP) has announced its intention to roll out the Local Housing Allowance (LHA) to all authorities, effectively from 7 April 2008. Final regulations have recently been issued by the Department for Work and Pensions. This decision followed a two year evaluation of pilots for the scheme in some 18 local authorities nationwide.
- 2.2. Local Housing Allowance is a new way of calculating and paying Housing Benefit (HB). It is based on the number of bedrooms that the occupants are allowed, which is dependant on who lives with the tenant, not the level of rent. It only applies to tenants of Private Sector landlords. There will still be a comparison of income to needs, and claimants whose income is above the set rate which attracts full benefit will still have their Local Housing Allowance reduced in proportion to their income being over the set needs levels. Thus it still remains a means tested benefit with significant areas of calculation to be undertaken.
- 2.3. Significantly Local Housing Allowance will be paid directly to the tenant. Local Authorities will no longer have the power to make payments directly to the landlord at the tenant's request, unless the Authority is satisfied that the tenant is 'vulnerable', or where the tenant has arrears of more than eight weeks. Consistent with the current HB scheme, payments will be made in arrears. That is, four weekly in arrears where payment is made to the landlord or fortnightly in arrears where the tenant receives the payment directly. As with the current scheme, a single, first payment may also be made directly to the landlord where the tenant has been in occupation for eight weeks or more at the point of determining the LHA claim.
- 2.4. Where payment is made directly to the landlord because the tenant is 'vulnerable' and unable to manage his or her own affairs that payment may be made on a temporary or longer term basis. Each case is to be judged on its own merits.

- 2.5 Under Local Housing Allowance there is no longer a requirement to obtain a rent valuation from the Rent Officer Service in respect of the claim. Complex rent restrictions will be avoided and the tenant will be able to make decisions about where to live much more easily because they will know in advance how much rent could be covered by the allowance. As such the need for 'Pre-Tenancy Determinations' which were available from the Rent Officer is removed.
- 2.6. The Rent Officer Service will issue the Local Housing Allowance for the area on a monthly basis. At the time of preparing this report it is not possible to confirm when the new rates for April 2008 will be available and publicised. However it is confirmed there will be one set of figures for Wirral and the different categories to be used are shown at Appendix 1. These figures once set will be publicly available via the Authority so that both tenant and landlord will be aware of the maximum payable.
- 2.7. Local Housing Allowance will be paid based on the monthly figure in force when the claim is effectively made and will not change monthly along with the Rent Officer figures. When the claim is either formally reviewed or a change in circumstances occurs the new figure in force at the time will then be used. This would in essence be the same as the current HB scheme where Rent Officer Determinations are used in benefit calculations.
- 2.8. Where the allowance exceeds the rent, the claimant will retain the excess, although this excess will be cash limited. This means that the Authority will limit the allowance by comparing it to the declared rent passing. It is anticipated that any weekly excess allowance will not exceed £15.00. Evaluation of the pilot authorities experiences suggests that as many as 50% of the caseload received an award of LHA that was greater than the rent. The remainder of the caseload is likely to receive a shortfall between the rent and the award.
- 2.9. The ethos behind the scheme is to offer tenants more choice and to develop financial and budgeting skills. As such it has strong links to the Department for Work and Pensions Welfare to Work Campaign.
- 2.10. Although the Department for Work and Pensions has determined that the scheme will be introduced to all authorities from April 2008 it will be implemented on a 'phased' basis and run alongside the existing HB scheme. In practical terms this means that Benefits processing staff will have to work with two different sets of rules and regulations for some time. LHA will only effect:-
- People making new claims;
 - People changing address;
 - People who have a break in their existing claim.

- 2.11. Given current activity within the Private Sector caseload it is expected that no more than 1,500 claims will transfer within the initial six month period. Currently Wirral has approximately 9,220 private sector tenant claims of which some 7,000 are currently paid direct to the landlord.
- 2.12. These are the current proposals and there is still debate as to how these issues will be interpreted. Further administrative changes may yet be made.

3. CURRENT POSITION

- 3.1 Planning and preparation have already started and will continue over the months leading to April 2008 'go live'. A dedicated project manager has been appointed who is working closely with other HB managers and staff. This work started in September and will continue through until the end of March in readiness for April implementation. It includes:
- Development of new working procedures and a local code of 'good practice'. Significant changes to our IT systems, documentation and claim forms;
 - Training and awareness for staff, partner agencies, landlords and Wirral residents;
 - Development of joint working, specifically with private sector landlords through regular forums, the dedicated landlord focus group, quarterly newsletters and shared also with partner Authorities;
 - Liaison with banks, advocacy and advice workers. Particularly around money advice and setting up of bank accounts. This may be particularly challenging as a significant proportion of the client group affected may not have not previously held a personal account;
 - The re-introduction of payment by cheque will be necessary for those claimants who ultimately cannot open an account and are not classed as 'vulnerable'. The number of cheque payments is expected to be limited and is an area which will need to be closely monitored;
 - Development and approval of a 'vulnerability' or 'Safeguard' policy. This will need to be sufficiently robust to ensure that the Department for Work and Pensions intention of payment direct to tenant is not diluted whilst properly supporting those who are unable to manage their own financial affairs.

4. ADMINISTRATIVE CHALLENGES PRESENTED BY LOCAL HOUSING ALLOWANCE

- 4.1. Given that the new and current HB scheme will be in operation simultaneously it is anticipated that there may be a degree of confusion amongst landlords and prospective tenants, certainly in the infancy of the scheme. In anticipation of this Customer Services Staff have already been briefed in the nature and details of the changes and a full presentation was made to landlords at the Private Sector Forum in September. Work to educate, inform and help landlords will continue throughout the project.
- 4.2. The Benefit Service has close links and working relationships with local landlords and tenants representatives which must remain effective in addressing issues arising out of the change, many of which can be anticipated given the extent of national trials.
- 4.3. The question of 'vulnerability' and dealing with the potentially high volumes of requests to pay the landlord directly will be particularly challenging in the administration of the scheme.
- 4.4. Issues surrounding vulnerability were well trialled at the pilot sites although the local impact cannot be gauged until we move to administering Local Housing Allowance in a live environment. Notwithstanding this, evaluation of the pilot authorities suggests that a maximum of between 15% and 20% of claimants may ultimately fall into this category.
- 4.5. Pilot authorities reported on the complexity and implications in terms of resource requirements in considering claims that a tenant is likely to have difficulty in dealing with his or her affairs. Evidence will be required from professional bodies such as the NHS, Probation Officers and social workers to support this.
- 4.6. The introduction of Local Housing Allowance is initially on a phased basis. It is likely at some point that the Department for Work and Pensions will want authorities to move remaining claims to the new scheme. No clear indication has been given for any timescale for this.
- 4.7. The requirement of staff to deal with two different schemes needs to be acknowledged and regard given to the associated complexities that are likely to arise. This will be seen in the significant additional training requirements for Benefits, One Stop Shop and Call Centre staff in both initial and ongoing training to ensure maximisation of first time resolution and initial correct assessment.
- 4.8. Local Housing Allowance is fundamentally different from the current HB scheme and is almost certain to present challenges not only to the Authority but to service users and landlords as each familiarise themselves with the new scheme.

- 4.9. Given its infancy further development of the scheme can be expected as the Department for Work and Pensions will closely monitor its progress through local authorities and their representatives.
- 4.10. Local Housing Allowance does not impact on Council Tax Benefit and the Department for Work and Pensions has confirmed that it does not intend extending it to the social rented sector although it is likely that it will ultimately review how HB is paid to tenants of Registered Social Landlords and others within this group at some future point.
- 4.11. Members will be kept informed of progress and any associated issues as the service moves forward with implementation of the new scheme.

5. FINANCIAL IMPLICATIONS

- 5.1. The Department for Work and Pensions has announced a Local Housing Allowance administration grant to each local authority in the first year to assist with initial implementation which is for IT costs as well as ensuring staff are ready to implement the new scheme. This will largely be based on caseload and caseload make-up. Wirral will receive £306,090.
- 5.2. Wirral has been advised that there will be a cost of £85,000 for a new IT software module and a one off payment of £21,250 for software maintenance. As this sum is above £50,000 the procurement of this extension to our existing software contract is reported for noting under Contract procedure rules. I can confirm that given both timescale and system complexity there is no reasonable alternative to widen the procurement beyond the existing software supplier, Capita Academy.
- 5.3. The Administration Grant would allow the recruitment and training of new starters and provide the resource to adequately train current staff in the tight timescale provided. The estimated cost via a provider is likely to be around £115,000 for 12 staff across the service areas involved.
- 5.4. The DWP grant will also be used for publicity and the cost of forms being changed.

6. STAFFING IMPLICATIONS

- 6.1. As the implementation is to be phased, it is difficult, at this early stage, to accurately project how these changes will precisely impact on staff either from a complexity of duties view point or resource requirements. It is clear that from January onwards there will be a requirement for staff to be trained in both the legislation and the system changes.

- 6.2. Changes to the total permanent staffing establishment are not anticipated for Local Housing Allowance introduction although staff in Benefits, the One Stop Shops and the Call Centre will require training in the legislative and I.T. changes. This is of vital importance to ensure that the new system goes in smoothly and service standards are maintained while running two distinct systems for some considerable and as yet undetermined timescale.
- 6.3. There will be a need to look for additional support at this key time to ensure service standards are maintained. The service already has a number of vacancies which are being reviewed as part of the redeployment process but there is also a need to bring in new staff who can be trained at the same time to be available to assist in the later stages of the introduction of LHA.
- 6.4. Given the number of vacancies and the capacity needed to undertake this at the same time of LHA introduction, it is logical and cost effective to embark on a single recruitment and training programme that addresses need and maximises internal resources to address ongoing service need.
- 6.5. The proposed solution is to seek assistance from a recruitment agency which can provide recruitment, selection and initial training. Staff recruited through this process would after successfully completing the initial period be directly employed by Wirral Council. At the same time internal resources can be applied to ongoing LHA training for current staff. The programme would be similar to the Kick Start programme the DWP has used successfully for benefits and would link to Job Centre and Connexions. This programme will be agreed with the Head of Human Resources.
- 6.6. Given the timescale plus the shortage of available and necessarily experienced suppliers to undertake this work in the manner of the Kick Start programme it is not possible to undertake a full tendering process. I will agree with the Procurement Unit that a sufficiently robust tendering process is followed that ensures all procedural rules are adhered to that the provider can deliver to the standard required in the timescale available.
- 6.7. This would result in the service operating a twin track approach that would also allow the review of available and appropriate redeployees. These will both be taken forward in consultation with the Head of Human Resources.
- 6.8. The training will continue throughout 2008 and will be undertaken in the training rooms in the Municipal Building and Treasury Building and in the Call Centre in the Cheshire Lines Building. This has proved in the past to reduce the downtime for Benefits, One Stop Shops and Call Centre staff to a minimum.

7. EQUAL OPPORTUNITY IMPLICATIONS

- 7.1. There are none arising directly from this report.

8 HUMAN RIGHTS IMPLICATIONS

8.1. There are none arising directly from this report.

9 LOCAL AGENDA 21 IMPLICATIONS

9.1. There are none arising directly from this report.

10 COMMUNITY SAFETY IMPLICATIONS

10.1. There are none arising directly from this report.

11 PLANNING IMPLICATIONS

11.1. There are none arising directly from this report.

12 BACKGROUND PAPERS

12.1. Welfare Reform Act: May 2007
Housing Benefit (General) Local Housing Allowance Amendment Regulations
in 2003, 2005 and 2007
(Available at www.dwp.gov.uk/housingbenefits/lha)
Department for Work and Pensions HB Circular: S3/2007
Department for Work and Pensions; Housing Benefit Local Housing
Allowance Guidance Manual October 2007.

13 LOCAL MEMBER SUPPORT IMPLICATIONS

13.1. This change to HB policy will have implications for all Members and Wards.

14 RECOMMENDATION

14.1. That Members note the major change to service delivery and be prepared for the increased constituent activity that this is likely to generate.

IAN COLEMAN
DIRECTOR OF FINANCE

FN/334/07

APPENDIX 1

LOCAL HOUSING ALLOWANCE FIGURES

Each month the Rent Officer will supply Wirral with a set of LHA figures:

- Shared accommodation
- One bedroom self contained property
- Two bedroom property
- Three bedroom property
- Four bedroom property
- Five bedroom property
- Six bedroom property

SIZE CRITERION

A 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

SINGLE UNDER 25'S AND JOINT TENANTS

- Single under 25 years and living alone
entitled to 'standard rate for a room in shared accommodation' (likely to be more generous than the existing HB scheme 'Single Room Rent')
- Joint Tenants
LHA based solely on the claimant's family
- Shared accommodation figure
may apply to one or more of the joint tenants