

Local Housing Allowance - What is the NLA campaigning for?

LHA is one of the most important, and potentially damaging, issues currently facing the private-rented sector. Introduced in 2008 to replace Housing Benefit, LHA was intended to empower tenants and provide greater choice for benefit recipients. In reality it has led to a reduction in available housing stock and compelled many landlords to leave the market.

Based on the results of extensive NLA research, including input from more than 1,000 landlords during a high-profile Post Card Campaign, the NLA is calling for urgent reform of LHA.



We are calling on Government and local authorities to:

- **Bring forward the LHA review planned for 2010.**

LHA is failing to meet its key objectives and needs to be reformed. The NLA supports the Government's commitment to review LHA but believes that the market cannot afford to wait until 2010. We want to see an open and wide ranging review of LHA, including the issue of direct payments, as a matter of urgency. Tenants need their right to choose direct payments reinstated as soon as possible.

- **Initiate an 'automatic trigger' for direct payment to landlords after one month's rent arrears.**

This would enable local authorities to limit the amount of rent arrears generated by a tenant. Local authorities would have more time to investigate why rent is not being paid and whether the tenant has any support needs that are not being met.

- **Look at how local authorities administer housing benefit to ensure they are effectively engaging the private-rented sector.**

Councils should ensure landlords can communicate directly with benefit offices and access support for tenancy problems relating to LHA. Links with other local authority/third-sector PRS housing initiatives would encourage greater participation by private sector landlords and create more landlord confidence in LHA.

- **Ensure the Department for Work and Pensions produces clear guidance for local authorities' use of vulnerability criteria.**

Better determination of tenants' support needs and vulnerability, which could affect their tenancy, would ensure that landlords and tenants have the support needed to protect tenancies in the long run.

- **Create local authority links with local deposit guarantee schemes so each new LHA application is accompanied by a deposit guarantee bond.**

This would reduce the difference in landlord experience when renting to benefit tenants.

Background

What is LHA?

The Government rolled out Local Housing Allowance (LHA) to all local authorities in April 2008. It completely changed the way Housing Benefit is calculated and paid to Housing Benefit tenants.

The main differences LHA has brought to housing benefit are:

LHA is means tested and tapered in exactly the same way as before; however, the eligible rent is fixed for a family of a given size in a given area. Therefore, everybody in the same circumstances gets the same amount.

- It is now paid directly to the tenant unless the local authority identify that the recipient is vulnerable or the tenant is over eight weeks' in arrears.
- The way that the LHA rate is calculated is based upon Broad Market Rental Areas (BRMAs) – a geographical area made up of two or more distinct areas of residential accommodation, within which a person could reasonably be expected to live, having regard to facilities and services.
- Tenants can keep up to £15 of their LHA payment if they can find accommodation cheaper than the LHA rate for their area and property size.

According to Government figures there are approximately 1.2 million households in the private-rented sector receiving housing benefit, around 675,000 of which are now receiving LHA.

Local Housing Allowance only affects tenants in the private-rented sector, the changes that were introduced in 2008 **do not** affect:

- council tenancies;
- tenancies with registered social landlords; or
- tenancies which started before 15 January 1989.

The NLA's position

The NLA believes that the introduction of LHA has had a negative impact on the private-rented sector and is campaigning intensively for a review of the housing benefit system.

The goals behind the implementation of LHA, namely to provide tenants with freedom of choice concerning their accommodation, are laudable and desirable in many ways. Unfortunately we are deeply concerned by the way in which local authorities are implementing the legislation, especially with regard to vulnerable tenants. Rather than providing options, LHA has contributed to a shrinking of housing supply for benefit recipients, as many landlords are no-longer prepared to risk letting to housing benefit tenants.

The Government's intention for LHA was to increase choice for benefit recipients and encourage greater personal responsibility and financial inclusion. Whereas, in fact, its introduction has led landlords to withdraw from the market and reduce the number of homes available where they are most urgently needed.

Research conducted by the NLA has found that 52 per cent of landlords surveyed have decided they would not let, or be 'less likely' to let, to LHA tenants. A further 43 per cent of those landlords who have already tried the new system said they would now be leaving this part of the market because of increased uncertainty about rent payments.

With government projections predicting that LHA will account for £4.4bn of public spending by 2011-2012, it is in everyone's interest that LHA works. 59 per cent of landlords thought that LHA could be improved, with the top three improvements being:

- An automatic trigger, after one month's arrears, to direct payment to landlords;
- Better local authority administration of LHA; and
- Better determination of the vulnerability of tenants by local authorities.

Arrears

The picture is no better for those landlords who elect to remain in the market. One of the most serious problems facing the sector is massive amount of rent arrears that LHA-landlords are suffering. As part of our campaign for a review of LHA we sent our members postcards so they could tell us just how much money they have lost because of LHA. The numbers are staggering but probably just the tip of the iceberg.

The latest NLA research (October 2009) indicates that the total rent arrears for all LHA landlords could be in excess of £220 million, with average rent arrears standing at £4,500 per landlord.

What is the NLA doing to achieve this?

- Pushing ministers and officials at the Department for Work and Pensions to recognise the problems with the current implementation of LHA and what improvements are urgently required;
- Calling for an open and wide ranging review of housing benefit policy, including the issue of direct payment to landlords;
- Working closely with politicians from all political parties to put pressure on the Government to bring forward their review of LHA as a matter of urgency;
- Helping to shape opposition party policies on housing benefit;
- Talking to local authorities around the country to highlight the problems with the current system of LHA, and working with them to implement local solutions to these problems;
- Engaging with parliamentarians to highlight the problems faced by landlords currently providing homes to LHA tenants. We are working to ensure they understand what changes are needed to improve confidence in the system, protect landlords trying to provide much-needed homes in this part of the sector, and improve access to PRS housing for benefit tenants; and,
- Monitoring the ongoing effect LHA is having on landlords through regular NLA Members' surveys and case studies.

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