

## SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL

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**REPORT TO:** Leader and Cabinet  
**AUTHOR/S:** Chief Executive / Head of Revenues

9 July 2007

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### INTRODUCTION OF LOCAL HOUSING ALLOWANCE – RESOURCE IMPLICATIONS

#### Purpose

1. The purpose of this report is:
  - (a) to advise Cabinet of the introduction of Local Housing Allowance (LHA) from April 2008 which will be a significant change to the current Housing Benefit system
  - (b) to advise Cabinet of the financial implications associated with the change including:
    - (i) A one-off implementation grant from central Government
    - (ii) Implementation costs including staffing and software development
    - (iii) Ongoing subsidy grant arrangements
  - (c) to approve the creation of a new post of Local Housing Allowance Project Officer for a fixed period of 12 months from 1 October 2007 and to note the proposed expenditure for implementation of LHA.

#### Background

2. The Government is introducing Local Housing Allowances with effect from April 2008 as a gradual replacement for the current Housing Benefit system. At present the new allowance will be limited to private sector tenants (tenants in social housing will continue to receive Housing Benefit) but the Government has indicated that it may consider extending the allowance to social housing tenants in the future.
3. Pilot schemes have been in place for two years and the Government has used experiences and data from these pilots to develop the new national LHA scheme.
4. The major change to the current Housing Benefit system is that the amount the claimant receives will no longer be linked directly to the rent that they pay for a property. Instead they will receive an amount based on the size of property they require due to their family circumstances and the average rent for that size of property in the locality's 'broad market rental area'. The extent of the broad market rental area and the average rent will be determined by the Rent Service (a central Government agency) which is currently responsible for setting local reference rents for Housing Benefit claims.
5. This means a recipient of LHA may receive more allowance than they pay in rent, a radical departure from the Housing Benefit scheme. However, the Government has decided to limit any excess allowance to no more than £15.00 per week above the actual rent that the claimant is liable to pay. This limit is in itself a significant change from the LHA pilot schemes currently operating where no limit has been imposed, and is the result of experiences in those pilot schemes.

6. The Rent Service will reassess the level of the Allowance each month based on lettings information across the broad market rental area over the previous month. Existing claims will not be affected until they are due for annual review, but new claims will be assessed on the LHA prevailing for the month in which the claim is made.
7. The switch to LHA will be phased in as new claims are received or as claimants move address. Again this is a variation on the approach used in the pilots where all claims were converted en masse.
8. Under LHA almost all payments will be made to the tenant. Currently the tenant may simply request payment be made directly to the landlord, but only in exceptional circumstances will LHA be paid to the landlord.
9. The Government's objectives in introducing LHA can be summarized as;
  - (a) Improving choices for private sector tenants by guaranteeing in advance the amount of assistance they will receive with their rent.
  - (b) Promoting financial and social responsibility amongst private sector tenants by ensuring they are aware of the amount of rent paid for their property.
  - (c) Reducing the administrative burden of processing Housing Benefit claims.
  - (d) Reducing the amount of time taken to process claims for assistance with housing costs.

### **Considerations**

10. The introduction of LHA is unlikely to have any significant long-term impact on the Council. Experience from pilot authorities shows little reduction in administration, and the new national scheme is more complex than that operating in the pilots. It can therefore reasonably be assumed that future resource requirements from the Council will be identical to those required for administration of Housing Benefit.
11. Performance for both Housing Benefit and Local Housing Allowance will continue to be monitored closely and should any resourcing issues arise these will be reported promptly.
12. In the shorter term, however, there will be additional demands in order to implement the new allowance. These will include;
  - (a) Purchase of a new software module to enhance the current Housing Benefit ICT system.
  - (b) Implementation and testing of software.
  - (c) Staff training (including Contact Centre staff).
  - (d) Revision of all documentation.
  - (e) Revision of Contact Centre scripting.
  - (f) Publicity and customer education.
  - (g) Stakeholder liaison.
13. The Government has indicated that it will provide each Council with a one-off grant to assist with the implementation of LHA.

### **Options**

14. The introduction of LHA is compulsory and options are limited to how the implementation is conducted.

15. **Option 1** – Manage the implementation within existing resources.
- (a) This is considered to be a very high-risk option due to the risks that;
- (i) Existing staff resources are likely to prove inadequate to complete all tasks within the limited timescale available.
- (ii) It is inevitable that staff resources would have to be diverted away from front line service delivery in order to resource the implementation project leading to a downturn in service delivery, BVPIs and performance standards score.
16. **Option 2** – Utilise the implementation grant funding to provide additional staff resources in the form of a dedicated project officer for a fixed period of twelve months.
- (a) This is the preferred option and will minimize the risk associated with the implementation.
- (i) It will provide a dedicated resource to deal with all aspects of the implementation.
- (ii) It will facilitate a planned and risk based approach to the implementation.
- (iii) The impact on front line service delivery will be minimised helping to ensure current standards are maintained
- (b) It is proposed that the most effective approach would be to second an existing employee to the project officer post and utilise specialist agency staff to 'backfill' the resulting vacancy.
17. The financial implications associated with Option 2 are detailed below.

## **Implications**

### **Financial Implications**

18. There are two aspects to the financial implications, firstly those one-off costs associated with initial implementation, and secondly the ongoing implications resulting from the change to Housing Benefit.

### **Implementation Costs**

19. The Government has announced a one-off grant to assist councils with the introduction of LHA. The indicative figure provided for the grant to the Council is £93,200 and final confirmation is expected by the end of July 2007.
20. The Government has anticipated that a significant portion of the grant will be required to finance enhancements to the Housing Benefit ICT system. Following negotiations with its customer base the Council's ICT supplier has agreed that its charge will be calculated as a percentage of the grant received by each council. The company has offered the option of an initial payment of 28.6% with no annual maintenance charges, or an initial payment of 22% followed by annual maintenance charges. Since the first option is the most economical the supplier has been advised that this is the Council's preference.
21. The expected expenditure for the implementation project based on Option 2 above is as follows:

LHA Project Officer (12 months fixed term)*	£31,200
Net cost of agency staff to 'backfill' secondment	£22,800

ICT Enhancement	£26,700
Equipment (workstation, PC etc)	£1,500
Miscellaneous expenditure (training, travel, publicity, printing etc)	£6,000
Contingency	£5,000
Total expenditure	<u>£93,200</u>
To be funded from Government grant	£93,200
Net cost to the Council	£0

\* assumes appointment at mid scale, 2.5% inflation for 2006/07 and 2007/08, and one incremental progression.

### **On-going Costs**

22. The subsidy grant arrangements are similar to those for Housing Benefit and at this early stage it is not anticipated that there will be any additional long-term demand on resources over and above that which would normally be required to administer Housing Benefit. Therefore the introduction of LHA is expected to be cost neutral to the Council.
23. Some pilot sites report a reduction in the amount of overpayments recovered from customers. This has been attributed to the requirement for LHA payments to be made direct to tenants thus eliminating the option to recover overpayments from landlords. The Council only employs recovery of overpayments from landlords on a very limited basis and no significant reduction in overpayment recovery is anticipated, but this aspect of performance will continue to be closely monitored.

### **Staffing Implications**

24. Appointment of a temporary project officer for a period of 12 months is considered essential to achieving the prompt and efficient implementation of the LHA whilst maintaining current levels of performance and customer service. A job specification is currently being prepared and it is expected that this position will be graded in the region of spinal column points 20 to 27 (£25,461 to £32,534 at current salary levels). In the longer-term it is anticipated that an identical level of staffing will be required for the administration of LHA as for Housing Benefit.
25. In view of the short-term nature of the proposed LHA project officer post, and the highly specialist nature of the role it is not considered realistic to attempt to recruit to this position through the normal recruitment process. This leaves the alternatives of using a specialist agency employee to fill the role, or offering the position on a secondment basis to an existing employee and utilising an agency employee to 'back-fill' the resulting vacancy.
26. The secondment option is preferred for the following reasons:
- Skills and experience learned during the implementation will be retained within the Council.
  - An existing employee will already be familiar with the organisation and stakeholders therefore expediting the implementation process.
  - The project officer role will require specialist knowledge and a competent agency employee will be difficult to find and will command a high salary.
  - A secondment will offer a development opportunity to an existing employee and demonstrate a commitment to the training and development of employees.

27.	Financial	As above
	Legal	The Council has a statutory requirement to implement LHA by April 2008.
	Staffing	As above
	Risk Management	The implementation is considered to be relatively low risk if adequately resourced as set out in this report. A formal project management approach will be taken to the implementation and a risk register will be compiled at the commencement of the project.
	Equal Opportunities	None

### Consultations

28. The Rent Service is conducting consultations with the Council regarding the establishment of a new broad rental market area (BMRA) in anticipation of the introduction of LHA. There are considerable concerns arising from the proposed BMRA, which suggests that a significant proportion of private sector claimants would find the amount of assistance they received reduced under LHA. The Portfolio Holder for Housing has written to the Rents Service expressing these concerns on behalf of the Council.
29. A comparable pathfinder authority using the same software supplier has been consulted regarding their experience of the implementation of the pilot scheme. That Council employed a dedicated implementation team of two people and reports a successful implementation.

### Effect on Annual Priorities and Corporate Objectives

30.	Affordable Homes	Local Housing Allowance should make it easier for residents to secure privately rented accommodation and increase the level of choice of accommodation available to them.
	Customer Service	There is a high risk that customer service will deteriorate during the implementation of the new allowance unless the implementation project is adequately resourced. In the long-term the slightly simplified administration may lead to a slight reduction in the time taken to process claims.
	Northstowe and other growth areas	Private tenants in Northstowe or other growth areas requiring assistance with housing costs will be required to claim LHA rather than Housing Benefit.
	Quality, Accessible Services	It is not anticipated that the introduction of LHA will have any detrimental impact on the current high level of service provided by the Benefits Service.
	Village Life	Assistance with housing costs is vitally important to aiding residents to remain in properties in their chosen locality.
	Sustainability	None
	Partnership	None

### Conclusions/Summary

31. A new form of benefit, Local Housing Allowance, is to be introduced from April 2008 as an alternative to the current Housing Benefit and will continue to be administered by local authorities. The LHA will apply to private sector tenants and will be phased in as new claims are received, and where there is a break in an existing claim for

Housing Benefit. The two forms of benefit will therefore co-exist for an indeterminate period.

32. The key change in comparison to Housing Benefit is that the maximum allowance will be based on the applicant's family circumstances and average rents for the area, rather than linked to the specific rent for their property. This means tenants renting properties below the average rent can qualify for an allowance over and above the rent that they pay. However, this excess allowance will be limited to a maximum of £15.00 per week.
33. The Government is making a one-off grant to assist with the implementation of the LHA and has indicated this will be worth £93,200 to the Council. It is considered essential to employ a dedicated project officer for a 12 month period to facilitate the implementation and there is a significant cost for enhancement to the Housing Benefit ICT systems. However, the grant is considered to be adequate to fully fund the cost of implementation.
34. The subsidy grant arrangements are similar to those for Housing Benefit and at this early stage it is not anticipated that there will be any additional long-term demands on resources over and above those that would normally be required to administer Housing Benefit. Therefore the introduction of LHA is expected to be cost neutral to the Council.

### **Recommendations**

35. Cabinet is recommended to:
  - (a) note the introduction of Local Housing Allowances and the associated implications for the Council, and
  - (b) approve the creation of a new post of Local Housing Allowance Project Officer for a fixed period of 12 months from 1 October 2007 and to note the proposed expenditure for implementation of LHA, subject to the final Government grant being in-line with the indicative amount.

**Background Papers:** the following background papers were used in the preparation of this report:

Welfare Reform Act 2007

Department for Works and Pensions HB/CTB circular S3/2007

**Contact Officer:** Lee Phanco – Head of Revenues  
Telephone: (01954) 713110